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ABSTRACT

This unit, one of a series of six Project SCAT (Skills for Consumer Applied Today) units, is designed to help senior high school students develop consumer education skills. For a description of the specific objectives and format of the units, see SO 013 467. This document provides teaching methods, learning activities, and a student booklet for a unit on taxes. The focus is on a survey of basic tax types, allowing the student to complete the Form 1040A. Specific topics include governmental budgets, governmental services, tax services, processing a return, and the audit process. Students engage in displaying cartoons and quotations dealing with taxes, debating the tax dilemma that lawmakers face, inviting a local tax official to speak, discussing services provided by the local property tax, investigating state tax burdens, devising a "good tax" for the United States, applying for social security numbers, and evaluating IRS advice. A pre- and posttest and reproducible graphics are included. The student booklet contains relevant vocabulary, readings, and worksheets. (KC)

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MONEY MANAGEMENT AND THE CONSUMER

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TAXES: "An Offer You Can't Avoid"

Skills for Consumers Applied Today

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Teacher PAL Tips

Welcome, teachers, to this $CAT Consumer Education Teacher PAL*. We hope you will find this a useful resource while you are teaching this subject. Features of this PAL include:

A CONTENT OUTLINE of the Student PAL subject matter to aid you in class discussions.

STUDENT OBJECTIVES which state in behavioral terms the objectives of the Student PAL.

SUGGESTED ACTIVITIES which you may wish to use as enrichment activities. These include:

INTRODUCTORY ACTIVITIES which give suggestions for introducing the topic.

DEVELOPMENTAL ACTIVITIES which give ideas for developing the major concepts in the Student PAL. These suggestions are keyed to each section of the Student PAL and include appropriate resources.

REVIEW ACTIVITIES which give suggestions to guide the culmination of the study.

RESOURCE suggestions which are of three types and coded as follows:

* Materials developed by $CAT and included in this Teacher PAL.

+ Commercially developed materials, available at a cost.

= Commercially developed materials, available free or on a free-loan basis.

ADDRESSES of the producers of all suggested resources as well as others which you may wish to contact for additional ideas and/or materials.

A SPECIALIZED VOCABULARY which is an alphabetized listing of all the "Passwords" listed in the Student PAL.

FILM DESCRIPTIONS for each film suggested as a resource.

INSTRUCTIONAL AIDS which include Xerox masters for the Test, the Test Answer Sheet, Student Activity Sheets, Film Guides, and Transparencies which you may wish to use in your study.

ANSWER KEYS for the Test, $CAT-developed Activity Sheets, and all pages from the Student PAL requiring student responses.

A STUDENT PAL for your reference.

In addition, some pages in the Student PALs are designed specifically to encourage class discussions, and teacher-led discussions may be necessary to insure student comprehension of the concepts presented. Such pages in the Student PAL for this topic include:

Pages 4-6; 15:	Attitudes toward taxes
Page 10:	Government services
Pages 62, 66:	Improving the tax system

These features are suggestions only. You, the instructor, know your class best and should feel free to choose those activities and resources most appropriate for your students.

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INSTRUCTIONAL AIDS . . . . . BLUE

- Test
- Test Answer Sheet
- Student Activity Sheets
- Film Guides
- Transparency Masters

ANSWER KEYS . . . . . YELLOW

- Test
- Student Activity Sheets
- Student PAL

STUDENT PAL . . . . . GREEN

Taxes

Taxes--sales tax, income tax, property tax, etc., etc. The American citizen finds it difficult to ignore taxes or the services they buy. Nearly one-third of a wage-earner's income is spent in meeting local, state and federal tax obligations.

A basic understanding of taxes is beneficial to the student because of the impact of taxes on his daily life as a consumer through the services he receives and the taxes he pays or will pay as a wage-earner.

An Offer You Can't Avoid offers a survey of the basic tax types with the student given practice in completing the Form 1040A. Additional exercises as well as suggestions for teaching the Form 1040 appear in the Teacher PAL for *An Offer You Can't Avoid*.

Content Outline

I. Why we have taxes

A. Governmental budgets

B. Governmental services
1. Consumer protection
2. Education
3. Health and sanitation
4. Highways
5. Legal systems
6. Libraries
7. National defense
8. Police and fire protection
9. Postal services
10. Recreational facilities
11. Transportation
12. Utilities
13. Veteran benefits
14. Welfare

II. Kinds of taxes

A. Sales tax
B. Income tax
C. Property tax
D. Social security tax

III. Classification of taxes

A. Level
1. Local
2. State
3. Federal

B. Effect
1. Proportional
2. Progressive
3. Regressive

IV. Tax forms

A. Application for a Social Security Number (SS-5)

B. U.S. Individual Income Tax Return (1040)

C. U.S. Individual Income Tax Return-Short Form (1040A)

D. Wage and Tax Statement (W-2)

E. Employee's Withholding Allowance Certificate (W-4)

V. Steps in filing a 1040A

A. Preliminary
   1. Filing requirements
   2. Itemizing deductions

B. Completing the form
   1. Records
   2. Identification
   3. Social security
   4. Campaign fund
   5. Status
   6. Exemptions
   7. Income
   8. Credit
   9. Tax
   10. Tax status
   11. Recheck
   12. Sign, date
   13. Attachments

VI. Help in filing returns

A. IRS

B. Tax services

C. Tax clinics

D. Credit unions

E. Enrolled agents

F. CPA's

G. Attorneys

VII. Checking a return before mailing

A. Name

B. Social security numbe.

C. Presidential campaign fund

D. Exemptions

E. Tax computation

F. Arithmetic

G. Signature and date

VIII. Processing a return

A. Delivery to service center

B. Sorting process

C. "Eyeball" check

D. Transcription

E. Delivery to National Computer Center

F. Taxpayer's master file

G. Refund information

H. Audit potential

I. Return of tapes to service center

J. Audit procedures

IX. The audit process

A. Kinds of audits
   1. Unallowables
   2. Research audits
   3. Correspondence audits

B. Three-year record keeping rule

Student Objectives

1. Given a password and several alternatives, the student will identify the definition of the password.

2. Given several alternatives, the student will identify the principal reason for requiring taxes.

3. Given several alternatives, the student will be able to identify four reasons for tax penalties.

4. Given several alternatives, the student will be able to identify characteristics of income, property, sales, and social security taxes.

5. Given a money value and/or a quantity and a tax rate, the student will calculate the dollar amount of tax.

6. Given the amount to be raised by taxes and the total assessed value of real property in a community, the student will calculate the tax rate per dollar of assessed valuation.

7. Given the tax rate and a property value, the student will calculate the amount of taxes owed.

8. Given a personal income tax payment schedule and an employee's pay amount, the student will calculate the amount of the income tax deduction.

9. Given several alternatives, the student will identify personal income tax as an example of a progressive tax.

10. The student will be able to distinguish between and fill out, if appropriate, the following forms: SS-5, W-2, W-4, 1040, and 1040A.

11. Given personal information and the appropriate tables, the student will determine whether the person(s) must file an income tax return and/or whether or not itemizing is recommended.

12. Given several alternatives, the student will differentiate between personal and dependency exemptions.

13. Given a person's taxable income and filing status, and the appropriate tax tables, the student will determine the amount of tax.

14. Given several alternatives, the student will identify the types of persons and agencies that will offer assistance in preparing a tax return.

15. Given several alternatives, the student will identify good and bad features of various agencies and persons that offer assistance in tax return preparation.

16. Given several alternatives, the student will identify possible reasons for tax return audits.

17. Given several alternatives, the student will identify the length of time a person should retain copies of his tax records and returns.

Introductory Activities

Generalizations	Activities	Resources
Taxes are the means by which governments provide services to citizens	1. Administer *An Offer You Can't Avoid* test as a Pre-test.	* Test Teacher PAL
	2. Display oversize Forms 1040 and 1040A and other income tax forms	= Fundamentals of Tax Preparation (Teacher materials) IRS District Director
	3. Collect and display cartoons and quotations dealing with taxes.	+ But Is It Deductible? (Book) Wall Street Journal + Newspapers + Periodicals
	4. Explore feelings and understandings about taxes: What are taxes? How do taxes affect you? How many kinds of taxes are there? What is good about taxes? What is bad about taxes?	* Transparency Master #1 Teacher PAL + Taxes (16 mm film) Churchill Films
	5. List topics for student research. Include such topics as: How Taxes are Assessed How Taxes are Collected How Tax Money is Spent The History of Taxation in the U.S. Income Taxes in the U.S. Social Security Taxes in the U.S.	= Understanding Taxes (Teacher Resource) IRS = Money Talks (16 mm film) IRS

Developmental Activities

Activities	Resources
1. Utilize **1. WHY TAXES?**	* Student PAL, pp. 3-18
2. Explore the need for taxes in the United States. Discuss such items as: Why do we need taxes? How does the government spend our tax dollars? Why is it important for a taxpayer to know how tax money is spent? What penalties face the dishonest taxpayer?	* Transparency Masters #2-4 Teacher PAL + Taxes: Why We Have Them (16 mm film - Film Guide #1) BFA
3. Investigate the sources of federal revenue.	= Chapter 1 Understanding Taxes (Pamphlet) IRS
4. Collect newspaper and periodical items on taxes for display and discussion.	+ Newspapers + Periodicals
5. Evaluate the statement: ONE SHOULD NOT ACCEPT THE PRESENT TAX SYSTEM AS PERFECT, ASSUME THAT ALL GOVERNMENTAL PROGRAMS CONTRIBUTE TO THE WELFARE OF THE COMMUNITY, NOR CONDEMN IT WITHOUT RELIABLE INFORMATION.	
6. Discuss why it is necessary for budgeting to precede any taxation plans. (Where the money is to come from, where it must go, etc.)	= Chapter 1 Understanding Taxes (Pamphlet) IRS
7. Discuss the dual role of taxes: A source of revenue A means of influencing the economy	
8. Ask: Is "Taxes are a bill for services rendered" a fair statement? Prepare a poster or bulletin board showing "What Taxes Buy."	

Activities	Resources
1. Utilize **2. HERE A TAX...**	* Student PAL, pp. 19-34
2. Explore the four basic taxes most citizens pay.	
3. Discuss and/or debate the tax dilemma lawmakers face: the demands for increasing services against the demands for decreased spending Discuss why such a situation is not possible.	
4. Prepare a list of all the different kinds of taxes that might be paid during a year by a typical family.	* Transparency Masters #5-6 Teacher PAL
5. Prepare charts and graphs illustrating: Total amount and sources of revenues for your state Expenditures by functions Kinds of taxes and amounts received Amount of state debt Compare these areas for several states in different sections of the U.S.	
6. Invite a local tax official to address the group.	Local tax assessor or other finance officer: city, county, IRS
7. Investigate any one of the local city, county, or state taxes. Find: The rate of taxation The basis on which the tax is levied or assessed How the taxes are collected The purposes for which the money is collected	Tax officials
8. Elicit comments and reactions and ask students to develop exercises on the following: THE AVERAGE AMERICAN LABORS TWO HOURS AND 52 MINUTES OF EVERY EIGHT-HOUR WORKDAY TO PAY HIS TAXES. ON A CALENDAR BASIS, HE WORKS FROM JAN. 1 TO MAY 11 TO PAY HIS FEDERAL, STATE, AND LOCAL TAXES.	

Activities	Resources
9. Compare total tax burdens of U.S. citizens with those in other countries.	* Student Activity Sheet #1 Teacher PAL
10. Compare and discuss the basic types of taxes. Include: What are the arguments for and against state sales and income taxes? What are the advantages and disadvantages to the employee of withholding tax on salaries? Why are local schools financed largely through property tax?	
11. Debate: A taxpayer would rather pay out relatively small amounts on each purchase (such as is the case with sales taxes) than paying out a large sum in taxes. The sales tax is based on the consumer's ability to pay. The sales tax is a convenient and efficient method of collecting taxes from persons who have the money to pay for goods and services.	
12. Discuss the services provided by local property taxes. Emphasize the local support given the public schools.	Finance Director, Local school district
13. Discuss why taxes are higher in some communities than others: Kind and quality of services provided Differences in property values Purchasing efficiency Amount of state aid to local district Other income received Corruption, dishonesty, etc.	
14. Have students visit or call a local gasoline station and find out the amount of taxes included in the price of a gallon of gasoline. What percent of the total price of the gasoline is the tax?	

Activities	Resources
15. Compare state sales taxes and state gasoline taxes for various states. Illustrate the differences through student-made graphs and/or maps.	* Student Activity Sheet #2 Teacher PAL = "State Gasoline Tax Table" "Optional State Sales Tax Tables" Publication 17: Your Federal Income Tax IRS
16. Investigate state income taxes and total tax burden by states. Include such topics as: Which states do not yet have income taxes How taxes vary from state to state	* Student Activity Sheet #3 Teacher PAL
17. Design real-life situations in which skill in solving tax problems would be applied. Include use of sales tax tables such as those used in stores, computing tax due on purchases, property tax bills, etc.	
18. Discuss the evaluation of taxes--how would you define a "good" tax? Emphasize the effect of paying the tax on the taxpayer's ability to pay.	
19. Evaluate the statements: Tax laws are too complicated. Tax laws are unfair. Tax laws are wasteful.	
20. Discuss the fact that no tax is perfect. Include: If you "soak the rich," incentive may be destroyed. If you overtax the poor, you increase "poverty" which leads to more welfare. The sales tax is a regressive tax designed to "soak the poor." A progressive income tax is fairer than a sales tax because the burden is placed on people with big incomes.	
21. Assign individual students or groups the task of devising a "good tax" for the United States. Present this tax plan as a part of the culmination of the unit.	

Activities	Resources
1. Utilize **3. FORMS**	* Student PAL, pp. 35-42
2. Discuss Social Security taxes.	= Four, e.g. (16 mm film) Social Security Administration Resource speakers from local Social Security office Social Security publications
3. Make application for Social Security numbers. (Sample for those already having numbers, make real applications for those without social security numbers)	* Student Activity Sheet #4 Teacher PAL
4. Practice computing social security deductions from pay checks by using IRS tables.	= Circular E--Employer's Tax Guide IRS
5. Differentiate between the W-2 and W-4: information given on each, times at which each are used.	* Student Activity Sheet #5 Teacher PAL
6. Compare Forms 1040 and 1040A: Which items are the same? How do the forms differ? What additional forms and instructions are necessary to complete each?	* Student Activity Sheets #6-7 Teacher PAL = Oversize 1040 and 1040A for classroom use Understanding Taxes (Teacher Resource) IRS
7. Tax reform is a frequent subject of government and public interest. Ask: WHICH PARTS OF THE FORM 1040 RETURN WOULD YOU MODIFY BECAUSE OF COMPLEXITY AND/OR UNFAIRNESS? WITH WHAT WOULD YOU REPLACE IT?	

Activities	Resources
8. Devise a quiz-type review game for the basic forms emphasizing form name and applicability.	= Chapters 2-3 Understanding Taxes (Teacher Resource) IRS
1. Utilize **4. THIS IS THE WAY**	* Student PAL, pp. 43-62
2. Analyze the steps necessary in filing a 1040A: Filing requirements Filing dates Separate vs. joint returns Items included in income Distinguishing between deductions and exemptions Utilization of tax tables and tax rate schedules Determining refund or balance due Double checking for errors	= Chapter 4 Understanding Taxes (Pamphlet) IRS * Transparency Master #7 Teacher PAL + J.K. Lasser's Your Income Tax Simon and Schuster + Sylvia Porter's Income Tax Guide Whitestone Publications, Inc. + Your Federal Income Tax ARCO Publishing Co., Inc.
3. Emphasize terminology as it appears.	* "Specialized Vocabulary" Teacher PAL
4. Develop a form for use in gathering information necessary for filing a 1040 or 1040A.	

Activities	Resources
5. Complete a 1040A with teacher-given samples. (Use actual student data for students who are employed.)	= Oversize 1040A for classroom use Understanding Taxes (Teacher Resource) IRS
6. Complete 1040A forms projected on individual personal data for five years in the future; for ten years in the future.	
7. Point out the necessity of filing a return for a refund in situations in which taxes have been withheld, but no taxes are due.	
8. Point out the ways to benefit from the use of the 1040 form. Include: All allowable interest such as home mortgages, personal and installment loans Specific guidelines for medical deductions and how to claim medical insurance premiums Taxes which may be deductible: income, real property, personal property, general sales tax, gasoline tax Low income allowance	
9. Complete a tax return using sample and/or teacher-given samples	* Transparency Masters #8-9 * Student Activity Sheets #6-7 Teacher PAL
10. Evaluate the statement: THE TAXPAYER'S ACTUAL TAX LIABILITY WILL DEPEND ON A NUMBER OF FACTORS INCLUDING HIS FILING STATUS, THE NUMBER OF DEPENDENTS, AND THE NUMBER OF EXEMPTIONS CLAIMED.	
11. Develop and discuss the two equations: REFUND DUE TAXPAYER = AMOUNT WITHHELD − TAX REQUIRED FOR THE YEAR BALANCE DUE IRS = TAX REQUIRED FOR THE YEAR − AMOUNT WITHHELD	
12. Compare the services, qualifications, and charges for tax preparer services.	

Activities	Resources
13. Evaluate the following statements concerning the preparation of income tax returns: In taxes, what you don't know can hurt you. If you hire a pro--it'll cost you more. Three out of four taxpayers get someone else to do their returns.	
14. Develop a list of "cautions" to use when utilizing a tax preparer. Include: Never sign a blank return. Be skeptical if a refund is promised. Look for someone who is established in the community. Avoid preparers who offer an immediate refund.	
15. Emphasize the fact that regardless of who does the actual preparation of the income tax return, the taxpayer himself is responsible for the accuracy of the return.	= Publication 17 Your Income Tax IRS
16. Discuss: What happens to a 1040A once it is mailed?	+ "When the IRS Gets Your Return" U.S. News & World Report March 28, 1977
17. Suggest that students make charts or bulletin board displays illustrating the route of a tax return.	
18. Investigate: How many "hands" does the average return pass through?	= Tax Rock (16 mm film) IRS
19. Evaluate IRS tax advice. Include: 66 toll-free answering sites 900 taxpayer assistance centers In 1978 IRS prepared over 1,600,000 returns Government Accounting Office found 13% of answers were in error in telephone answers	+ "IRS Tax Advice: It Ain't Necessarily Sound" Reader's Digest February, 1979

Activities	Resources
1. Utilize **5. WATCH OUT FOR...**	* Student PAL, pp. 63-66
2. Devise a list of pointers to aid in avoiding common errors in filing an income tax return.	
3. Discuss the degree to which returns are found in error by listing the following facts: Almost 5,000,000 of last year's returns were flawed by mathematical errors: Preparer — Errors Do-it-yourself 1040's — 10% Professional — 5% IRS — 3.6% IRS reported 3/4 of medical deductions (beyond insurance premiums) and nearly 1/2 of interest payments (excluding home mortgages) were in error.	
1. Utilize **6. IT'S NOT ALL OVER YET!**	* Student PAL, pp. 67-73
2. Define "audit" as used in income taxes.	* "Specialized Vocabulary" Teacher PAL
3. Utilize average itemized deductions to determine audit possibilities. List and define the basic steps in IRS audits: Unallowables, Research, Correspondence	* Student Activity Sheet #8 Teacher PAL = "If Your Return Is Audited" Publication 17 Your Federal Income Tax IRS
4. Review the rights of the taxpayer in the audit process.	= "Income Tax Appeal Procedure" (Illustrated diagram) Publication 17 Your Federal Income Tax IRS

Activities	Resources
5. Develop guidelines to use in evaluating returns to determine audit probability. One suggested list includes: Deductions for contributions that exceed 10% of total income Medical Expenses exceeding 10% of total income Expense claims by salesmen of more than 25% of total commissions A business loss for more than 2 years in a row Legal expenses which are not fully explained Claims for casualty losses that exceed $500 6. Point out the fact that not all notices from IRS are to be feared. Surprise refund checks often result from computer checks of returns. Causes of such errors include errors in computation, use of wrong forms, and failure to use all credits.	

Review Activities

Generalizations	Activities	Resources
Taxes provide many necessary services and are both a burden and a responsibility of American consumers.	1. Prepare a bulletin board display of the various kinds of taxes.	* Transparency Masters #5-6 Teacher PAL
	2. Devise games and puzzles to review the vocabulary of taxes.	= Crossword Puzzle Understanding Taxes (Pamphlet) IRS
		* Student Activity Sheet #9 Teacher PAL
	3. Select two teams of "tax experts" to compete in a quiz program based on the concepts covered in the tax study.	
	4. Develop a better income tax system for the United States. Two current suggestions include: A. Eliminate nearly all deductions, preferences, credits, etc., and establish a simple progressive tax. B. Simple 3-Step System: 1. How Much Did You Earn? 2. How Much Do You Have Left? 3. Send #2.	
	5. Review the student objectives for this module.	* Student Activity Sheet #10 Teacher PAL
	6. Administer *An Offer You Can't Avoid* test as a Post-test.	* Test Teacher PAL

General Resources – Addresses

ARCO Publishing Company, Inc.
219 Park Avenue South
New York, NY 10003

BFA Educational Media
2211 Michigan Avenue
Santa Monica, CA 90404

Churchill Films
662 North Robertson Boulevard
Los Angeles, CA 90069

Grossett & Dunlap, Inc.
360 Park Avenue South
New York, NY 10010

Internal Revenue Service Centers:
Andover, MA 05501
Atlanta, GA 31101
Austin, TX 73301
Cincinnati, OH 45999
Fresno, CA 93888
Holtsville, NY 00501
Kansas City, MO 64999
Memphis, TN 27501
Ogden, UT 84201
Philadelphia, PA 19255

Simon and Schuster, Inc.
1230 Avenue of the Americas
New York, NY 10020

Social Security Administration
80 N. Hughey Avenue
Orlando, FL 32801

Wall Street Reports Publishing Corp.
54 Wall Street
New York, NY 10005

Whitestone Publications, Inc.
262 Mason Street
Greenwich, CT 06830

Specialized Vocabulary

AGI	Adjusted Gross Income
APPEAL	The right to transfer a case to a higher court for rehearing
ATTACHMENTS	Forms attached to the face of a 1040 or 1040A to substantiate figures which appear on the form
ATTORNEYS	Attorneys who specialize in tax matters
AUDIT	The examination and verification of amounts stated on an income tax return
BUDGET	A governmental agency's plan for spending
CAMPAIGN FUND	Presidental Election Campaign Fund
CPAs	Certified Public Accountants--licensed specialists in the keeping of financial records
CREDIT UNION	A financial cooperative in which members with a common bond join together to save money and make loans to members
CREDITS	Amounts which are deducted directly from one's taxes
COMPUTE	Figure; determine
CORRESPONDENCE AUDIT	A letter from the IRS questioning a single tax issue, such as medical deductions, requesting that the taxpayer mail copies of supporting documents to the IRS

DEDUCTIONS	Standard or itemized amounts which may be deducted from income in arriving at taxable income; sales tax, interest payments, charitable contributions
ENROLLED AGENTS	Former IRS agents or persons who have passed a Treasury Department exam to qualify to prepare tax returns
EXEMPTION	Standard amount deduction from gross income allowed for the taxpayer and his dependents as exempt from income taxes
FICA	Federal Insurance Contributions Act--Social Security
FIELD AUDIT	An audit in which an IRS officer visits the taxpayer's home or office to inspect records
FILING STATUS	Classification used to determine tax rates and standard deductions; examples are single, married, filing jointly, etc.
FRAUD	A statement made with the intent to deceive
INCOME TAX	A tax levied by the government on the incomes of individuals, trusts, estates, and corporations
IRS	The Internal Revenue Service; the Treasury Department's tax collection division
LEVEL OF GOVERNMENT	Classification of government: local, state and federal
LEVY	The imposing and collecting of a tax or other payment
LIABILITY	The amount of tax owed

NEGLIGENCE	Carelessness; failure to exercise the standard of care expected of a reasonable person in such situations.
OFFICE AUDIT	An audit in which the IRS notifies the taxpayer by letter of which items are in question and requesting the taxpayer to visit the IRS office for the audit
PREPARER	One who completes an income tax return other than the individual taxpayer
PROGRESSIVE TAXES	Taxes based on "the more you make, the more you pay" principle; high income earners have a larger fraction of their total income withheld than low income earners
PROPERTY TAX	A tax levied on real estate or any personal property that can be bought and sold
PROPORTIONAL TAXES	Taxes in which a single tax rate is applied; a tax which remains the same such as 4% sales tax
REGRESSIVE TAXES	Taxes based on the same rate regardless of the level of one's taxable income; such taxes take a larger fraction of total income from low income earners than from high income earners
RESEARCH AUDIT	Returns chosen at random for a scientific sampling of returns; in such an audit, every item is carefully checked and must be verified
SALES TAX	A tax levied on goods and services
SCARCITY	Deficiency; limited resources to purchase unlimited needs and wants
SERVICE	An activity which provides persons with basic needs, protection, etc.; education, police protection, utilities, etc.; provided for through taxation

SERVICE CENTER	IRS center for the processing of tax returns from a specific geographical area
16th AMENDMENT	The amendment to the Constitution authorizing the collection of income taxes by the U.S. government
SOCIAL SECURITY	Payroll tax which provides retirement and medicare benefits
SOCIAL SECURITY NUMBER	A nine-digit identification number for social security purposes
SS-5	Application for a Social Security Number form
TAX	A payment required of a citizen to pay the cost of government services
TAX CLINICS	Non-profit sources of specialized tax advice to low-income taxpayers, usually sponsored by law schools, volunteer service organizations, and the IRS
TAX SCHEDULE	Guide for determining tax owed in which a certain amount is given with any excess tax figured by percentage
TAX SERVICES	Local or national businesses for preparing tax returns
TAX STATUS	An individual taxpayer's "owe" or "refund due" status after his taxes have been computed
TAX TABLE	A table from which a total tax owed may be read without any additional computation
1040	U.S. Individual Income Tax Return form

1040-A	U.S. Individual Income Tax Return--Short Form
1099	An income statement form for income from which no taxes have been withheld
TRANSCRIPTION	Writing or transfer of statements and figures from one form to another such as from the taxpayer's return to a magnetic tape for his record
UNALLOWABLES	Deductions which do not meet IRS requirements
"UNCLE SAM"	An imaginary person representing the United States, characterized as a tall man with white chin whiskers, dressed in a red, white and blue costume
W-2	Wage and Tax Statement form
W-4	Employee's Withholding Allowance Certificate form
WITHHOLDING TAX	The amount of income tax paid by employees through the employer's withholding of part of their wages or salaries

Film Descriptions

FOUR, E.G. (22 minutes) - Social Security Administration

This film gives four examples of students who are receiving student social security benefits: an entertainer, a medical student, a college rodeo queen student, and a disabled 16 year-old student.

MONEY TALKS (20 minutes) - Internal Revenue Service

A brief history of taxation is explained in this film.

TAX ROCK (20 minutes) - Internal Revenue Service

This film gives a modern look at the Internal Revenue Service.

TAXES (22 minutes) - Churchill Films

Ersatz Flambe, outraged by the recurrent indignities of the System, is restrained repeatedly by his landlady and mine of information, Nettie Mooselock. She leads him through the mysteries of the W-2 form, through FICA and other arcane varieties of withholding taxes, even through the filling out of his income tax form. Nettie's only real failing for Ersatz is her penchant for illustrating percentage with real apple pies.

Film Descriptions

TAXES: WHY WE HAVE THEM (14 minutes) - BFA, 1978 FILM GUIDE #1

Will Rankin leaves civilization to become a "tax-free" man. Stumbling into a ghost town, he meets shotgun toting Molly Travers. She explains how federal, state, and local taxes work and while she admits there are problems in the system, she insists that taxpayers must realize that services don't come free. It's up to us to decide our priorities.

1040 (20 minutes) - Internal Revenue Service

This film follows an actual return through the filing process.

59

59

INSTRUCTIONAL AIDS

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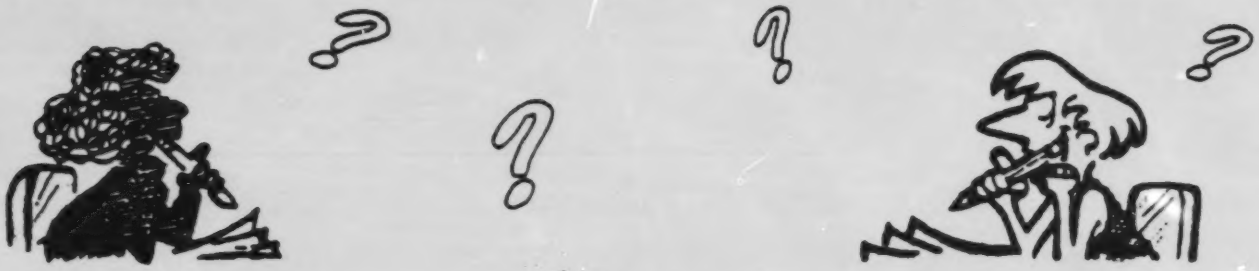

An Offer You Can't Avoid

CHOOSE THE BEST ANSWER FOR EACH STATEMENT OR QUESTION.

1. The 16th amendment to the U.S. Constitution allows
   A. credit unions to be formed.
   B. the U.S. Government to collect income taxes.
   C. taxpayers to give $1 of their taxes to a presidential campaign fund.
   D. Social Security contributions to be taken out of a person's pay.

2. Which of the following is the main reason for having taxes?
   A. The U.S. Constitution requires taxes on income
   B. It's the law
   C. To pay for governmental services
   D. Voluntary compliance

3. Which of the following would not result in tax penalties?
   A. Failing to file a return when required
   B. Voluntary compliance
   C. Failing to pay taxes when due
   D. Tax fraud

4. Which of the following types of taxes has a maximum dollar amount to be paid in one calendar year?
   A. Social security tax
   B. Property tax
   C. Income tax
   D. Sales tax

5. If a person earns $11,700 per year and 10% is to be withheld for income tax, how much should be withheld?
   A. $117.00
   B. $105.30
   C. $1,170.00
   D. $1,053.00

6. If Cowtown (population 5000) needs to raise $1,000,000 in property taxes and the property in Cowtown is valued at $50,000,000, what should be the tax rate of each dollar of assessed valuation?
   A. .02
   B. .05
   C. .25
   D. .50

7. Three years ago in Cowtown, the tax rate was $14.50 on each $1,000 of assessed valuation. If Mr. Bunky Low had a house then that was valued at $32,500, how much tax should Mr. Low have paid that year?
   A. $224.14
   B. $471.25
   C. $2,241.38
   D. $4,712.50

8. Sasha Z. Curity earns $9,000 per year as a librarian. Using the table below, the amount that should be withheld from Ms. Curity's monthly paycheck is
   A. $3,225.40
   B. $2,955.68
   C. $114.54
   D. $88.50

TABLE 4. MONTHLY Payroll Period

(a) SINGLE person—including head of household:

If the amount of wages is: Over—	But not over—	The amount of income tax to be withheld shall be:	of excess over—
Not over $118		0	
$118	—$275	15%	—$118
$275	—$567	$23.55 plus 18%	—$275
$567	—$850	$76.11 plus 21%	—$567
$850	—$1,183	$135.54 plus 26%	—$850
$1,183	—$1,433	$222.12 plus 30%	—$1,183
$1,433	—$1,875	$297.12 plus 34%	—$1,433
$1,875		$447.40 plus 39%	—$1,875

(b) MARRIED person—

If the amount of wages is: Over—	But not over—	The amount of income tax to be withheld shall be:	of excess over—
Not over $200		0	
$200	—$550	15%	—$200
$550	—$908	$52.50 plus 18%	—$550
$908	—$1,250	$116.94 plus 21%	—$908
$1,250	—$1,600	$188.76 plus 24%	—$1,250
$1,600	—$1,967	$272.76 plus 28%	—$1,600
$1,967	—$2,408	$375.52 plus 32%	—$1,967
$2,408		$516.64 plus 37%	—$2,408

9. Personal income tax is what kind of tax?
   A. Progressive
   B. Proportional
   C. Regressive
   D. Proportional and regressive

10. Bill Bagboy earned $3,000 last summer at a local grocery store. A portion of the $3,000 was withheld for income taxes, but Bill read an IRS manual and found that he should not pay any income tax on the $3,000. What should Bill send to the IRS as soon as he can to get his money back?
    A. Form 1040A
    B. Form 1040A and W-4
    C. Form 1040A and W-2
    D. Form 1040A, W-2, and W-4

11. Mr. Rhett Tyred, aged 72, earned $375 from odd jobs last year. Mrs. Tyred, aged 22, earned $4,500. According to the table below, the Tyreds' filing status is:
    A. married and they should file a joint return
    B. married and they should file separate returns
    C. married and they should not file a joint return
    D. married and they should not file a return

YOU MUST FILE A RETURN IF YOU ARE:	AND YOUR GROSS INCOME IS AT LEAST:
SINGLE	
UNDER 65	$2,950
65 OR OVER	$3,700
MARRIED, FILING JOINT RETURN	
BOTH UNDER 65	$4,700
ONE 65 OR OVER	$5,450
BOTH 65 OR OVER	$6,200
MARRIED, FILING SEPARATE RETURN	$ 750
DEPENDENT ON PARENT'S RETURN	$ 750
WIDOW(ER)	
UNDER 65	$3,950
65 OR OVER	$4,700

12. Ms. Kittie Feline has two children and five cats living with her. She is the only source of support for her children. Ms. Feline is entitled to:
    A. 3 personal and 5 dependency exemptions
    B. 1 personal and 7 dependency exemptions
    C. 1 personal and 2 dependency exemptions
    D. 1 personal and 1 dependency exemption

13. According to the table below, if you were unmarried and had a taxable income of $7,050, your tax would have been
    A. $634
    B. $624
    C. $492
    D. $314

If Form 1040A, line 10, is—		And the total number of exemptions claimed on line 6 is—		
Over	But not over	1	2	3
		Your tax is—		
7,000	7,050	624	492	314
7,050	7,100	634	501	324
7,100	7,150	643	511	333
7,150	7,200	653	520	343
7,200	7,250	662	529	352
7,250	7,300	672	538	362
7,300	7,350	681	546	371
7,350	7,400	691	555	381

14. Which of the following is not a source of assistance in preparing an income tax return?
    A. Tax clinic
    B. Credit bureau
    C. Lawyer
    D. Accountant

15. When preparing tax forms, the taxpayer should not seek help from
    A. IRS.
    B. CPA's.
    C. tax services that close up after April 15.
    D. enrolled agents.

16. A taxpayer can be audited for many reasons. The consumer has no control over an audit which is the result of
    A. research.
    B. arithmetic errors.
    C. overstated deductions.
    D. unusually large, but legal, deductions.

17. Individuals who complete their tax forms correctly should, in case of an audit, keep their tax records for how long after April 15?
    A. 26 months
    B. 3 years
    C. 6 years
    D. Forever

NAME _____

CLASS _____

DATE _____

An Offer You Can't Avoid

1 Ⓐ Ⓑ Ⓒ Ⓓ

2 Ⓐ Ⓑ Ⓒ Ⓓ

3 Ⓐ Ⓑ Ⓒ Ⓓ

4 Ⓐ Ⓑ Ⓒ Ⓓ

5 Ⓐ Ⓑ Ⓒ Ⓓ

6 Ⓐ Ⓑ Ⓒ Ⓓ

7 Ⓐ Ⓑ Ⓒ Ⓓ

8 Ⓐ Ⓑ Ⓒ Ⓓ

9 Ⓐ Ⓑ Ⓒ Ⓓ

10 Ⓐ Ⓑ Ⓒ Ⓓ

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12 Ⓐ Ⓑ Ⓒ Ⓓ

13 Ⓐ Ⓑ Ⓒ Ⓓ

14 Ⓐ Ⓑ Ⓒ Ⓓ

15 Ⓐ Ⓑ Ⓒ Ⓓ

16 Ⓐ Ⓑ Ⓒ Ⓓ

17 Ⓐ Ⓑ Ⓒ Ⓓ

Paying Taxes

The illustration below ranks 12 industrialized nations according to what percent of income is paid in direct taxes and in social security contributions. Study the illustration and then discuss the questions which follow.

DIRECT TAXES		SOCIAL SECURITY	
Denmark	28%	Netherlands	18%
Sweden	23%	France	15%
United Kingdom	16%	W. Germany	13%
Canada	14%	Belgium	12%
Austria	13%	Italy	12%
Belgium	13%	Austria	11%
Netherlands	12.5%	Sweden	9.5%
Switzerland	12%	Switzerland	9%
W. Germany	11.5%	United States	8%
United States	11%	United Kingdom	7%
Italy	5.5%	Canada	4%
France	5%	Denmark	1%

1. Many Americans feel that taxes are too high. Discuss this feeling in view of the facts shown above.
2. Compare the direct taxes paid on a $10,000 income in Denmark and in the United States.
3. Rank the 12 countries according to total tax burden (direct taxes + social security).
4. Show the total tax burden on a $10,000 income in Denmark, the United States, the United Kingdom, France, and Switzerland.
5. Determine which country has the greatest total tax burden and which country has the least total tax burden.

STATE TAXES— WHO PAYS MOST, LEAST

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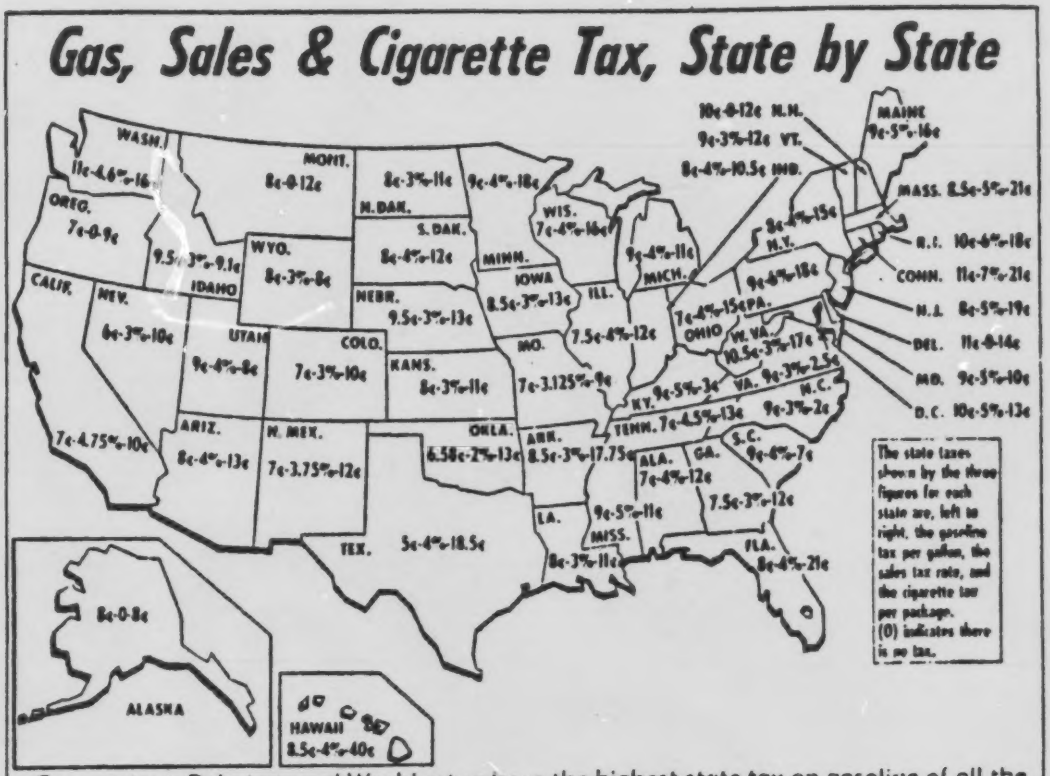

Connecticut, Delaware and Washington have the highest state tax on gasoline of all the states at 11 cents per gallon, according to the Commerce Clearing House, Inc., a private group that keeps track of taxes and business law. Connecticut has the highest state sales tax, at 7 percent, and, along with Florida and Massachusetts, the highest cigarette tax at 21 cents a pack. This map gives the gasoline, sales and cigarette taxes for each of the 50 states, plus the District of Columbia, as of July 1, 1978.

Use the map illustration, the key and the information given below the map to find the answers and discuss the following questions:

1. Find YOUR state. How does it rank in taxes?

2. Use your knowledge of geography and resources to determine some of the reasons for specific taxes being high in some areas of the country, and low in other areas.

3. Find the total tax paid on 10 gallons of gasoline, a $10.00 purchase, and one package of cigarettes in the following states:

Washington: _____ Maine: _____ Florida: _____

California: _____ Delaware: _____

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INCOME TAX DATA

AVERAGE STATE AND LOCAL TAXES BY STATE

	Adjusted Gross Income											
	$10,000 -15,000	RANK	$15,000 -20,000	RANK	$20,000 -25,000	RANK	$25,000 -35,000	RANK	$35,000 -50,000	RANK	$50,000 -100,000	RANK
ALABAMA	$ 817	(39)	$1,094	(38)	$1,342	(38)	$1,768	(38)	$2,543	(36)	$3,381	(41)
ALASKA	1,069	(21)	1,403	(18)	1,693	(27)	2,162	(24)	3,083	(22)	4,685	(22)
ARIZONA	950	(28)	1,309	(26)	1,589	(30)	1,929	(34)	2,574	(33)	4,214	(30)
ARKANSAS	782	(44)	991	(42)	1,326	(39)	1,731	(41)	2,556	(35)	4,393	(28)
CALIFORNIA	1,232	(13)	1,657	(9)	2,090	(7)	2,700	(6)	4,045	(5)	7,422	(4)
COLORADO	1,111	(16)	1,533	(15)	1,938	(13)	2,435	(14)	3,352	(17)	4,726	(20)
CONNECTICUT*	1,321	(8)	1,586	(13)	1,699	(24)	2,042	(27)	3,408	(15)	4,992	(17)
DELAWARE†	974	(25)	1,263	(29)	1,777	(16)	2,404	(15)	3,208	(19)	6,778	(6)
DISTRICT OF COLUMBIA	1,085	(19)	1,519	(16)	1,731	(19)	2,654	(8)	3,733	(9)	6,023	(10)
FLORIDA*	715	(45)	785	(49)	991	(47)	1,305	(46)	1,565	(47)	2,502	(45)
GEORGIA	804	(41)	1,187	(33)	1,488	(34)	2,137	(26)	3,065	(24)	4,692	(21)
HAWAII	1,192	(14)	1,607	(12)	2,022	(11)	2,539	(13)	3,193	(20)	5,835	(12)
IDAHO	972	(26)	1,314	(25)	1,736	(20)	2,217	(22)	2,969	(27)	4,523	(25)
ILLINOIS	1,137	(15)	1,370	(21)	1,719	(22)	2,035	(29)	2,677	(31)	3,891	(36)
INDIANA	900	(33)	1,124	(36)	1,350	(37)	1,562	(43)	2,121	(43)	3,068	(43)
IOWA	961	(27)	1,371	(20)	1,695	(25)	2,247	(19)	2,827	(29)	4,645	(23)
KANSAS	911	(32)	1,292	(28)	1,564	(31)	2,038	(28)	2,972	(26)	3,961	(35)
KENTUCKY	1,034	(22)	1,396	(19)	1,769	(17)	2,286	(17)	3,145	(21)	4,287	(29)
LOUISIANA	557	(51)	755	(51)	913	(51)	1,102	(50)	1,612	(46)	2,234	(48)
MAINE	1,096	(18)	1,257	(30)	1,723	(21)	2,150	(25)	3,468	(13)	4,816	(19)
MARYLAND	1,468	(3)	1,839	(4)	2,212	(5)	3,040	(4)	4,014	(6)	6,072	(9)
MASSACHUSETTS	1,636	(1)	2,124	(2)	2,549	(2)	3,096	(2)	4,399	(2)	7,047	
MICHIGAN	1,366	(7)	1,720	(8)	2,075	(9)	2,660	(7)	3,724	(10)	5,152	
MINNESOTA	1,317	(10)	1,830	(5)	2,397	(3)	3,039	(3)	4,284	(3)	7,708	(3)
MISSISSIPPI	835	(37)	1,079	(39)	1,308	(41)	1,770	(37)	2,704	(30)	3,540	(39)
MISSOURI	947	(29)	1,256	(31)	1,537	(32)	1,935	(34)	2,481	(37)	3,771	(38)
MONTANA†	1,000	(24)	1,236	(32)	1,665	(29)	2,218	(21)	3,273	(18)	4,987	(18)
NEBRASKA	922	(31)	1,358	(22)	1,769	(18)	1,989	(31)	2,650	(32)	4,400	(26)
NEVADA*	843	(36)	854	(46)	1,016	(46)	1,250	(47)	1,622	(45)	2,419	(46)
NEW HAMPSHIRE*†	1,320	(9)	1,351	(23)	1,679	(28)	2,017	(30)	2,173	(41)	3,434	(40)
NEW JERSEY	1,400	(6)	1,771	(6)	2,055	(10)	2,582	(12)	3,606	(11)	5,464	(14)
NEW MEXICO	788	(43)	1,057	(40)	1,297	(42)	1,745	(40)	2,221	(40)	4,396	(27)
NEW YORK	1,574	(2)	2,161	(1)	2,742	(1)	3,656	(1)	5,221	(1)	10,135	(1)
NORTH CAROLINA	938	(30)	1,305	(27)	1,694	(26)	2,235	(20)	3,017	(25)	5,536	(13)
NORTH DAKOTA	792	(42)	952	(44)	1,288	(36)	1,967	(33)	2,260	(39)	3,813	(37)
OHIO	829	(38)	1,111	(37)	1,402	(35)	1,773	(36)	2,538	(34)	3,971	(34)
OKLAHOMA	692	(47)	888	(45)	1,181	(43)	1,753	(39)	2,371	(38)	3,996	(33)
OREGON†	1,099	(17)	1,631	(10)	2,085	(8)	2,647	(9)	3,744	(8)	6,357	(8)
PENNSYLVANIA	1,252	(11)	1,570	(14)	1,847	(14)	2,228	(18)	3,073	(23)	4,210	(31)
RHODE ISLAND	1,450	(5)	1,731	(7)	2,121	(6)	2,620	(11)	3,487	(12)	5,934	(11)
SOUTH CAROLINA	813	(40)	1,176	(34)	1,511	(33)	1,967	(32)	2,373	(16)	3,064	(16)
SOUTH DAKOTA*	865	(35)	1,055	(41)	1,152	(44)	1,667	(42)	1,463	(49)	2,353	(47)
TENNESSEE*	682	(49)	827	(48)	970	(48)	1,188	(48)	1,502	(48)	1,972	(49)
TEXAS*	646	(50)	839	(47)	916	(50)	1,213	(48)	1,414	(50)	1,944	(50)
UTAH	1,023	(23)	1,472	(17)	1,716	(23)	2,216	(23)	2,942	(28)	4,198	(32)
VERMONT	1,235	(12)	1,629	(11)	2,022	(12)	2,643	(10)	3,852	(7)	6,648	(7)
VIRGINIA	1,079	(20)	1,322	(24)	1,835	(15)	2,285	(18)	3,442	(14)	4,616	(24)
WASHINGTON*	866	(34)	1,137	(35)	1,325	(40)	1,507	(44)	2,129	(42)	2,562	(44)
WEST VIRGINIA	702	(46)	980	(43)	1,045	(45)	1,442	(45)	2,071	(44)	3,223	(42)
WISCONSIN	1,461	(4)	1,976	(3)	2,373	(4)	3,026	(5)	4,175	(4)	7,829	(2)
WYOMING*	691	(48)	764	(50)	969	(49)	1,065	(51)	1,090	(51)	1,433	(51)
U.S. AVERAGE	**$1,131**		**$1,503**		**$1,869**		**$2,409**		**$3,368**		**$5,384**	

*States with no personal income tax. †New Jersey's income tax was imposed July 1, 1976. Connecticut taxes capital gains and dividends. †New Hampshire and Tennessee tax income from interest and dividends.)

**States with no sales tax

Source: Internal Revenue Service

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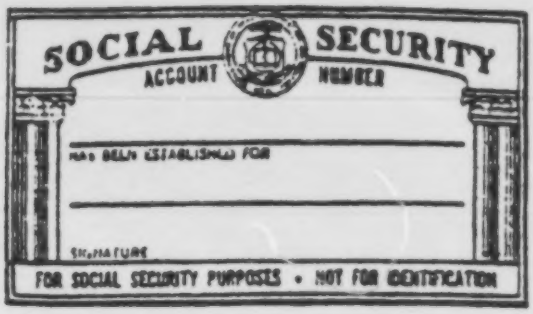
Social Security



APPLICATION FOR A SOCIAL SECURITY NUMBER
(Or Replacement of Lost Card)

Information Furnished On This Form Is CONFIDENTIAL

DO NOT WRITE IN THE ABOVE SPACE

See Instructions on Back. Print in Black or Dark Blue Ink or Use Typewriter.

1 Print FULL NAME YOU WILL USE IN WORK OR BUSINESS (First Name) (Middle Name or Initial and name, draw line ___) (Last Name)

2 Print FULL NAME GIVEN YOU AT BIRTH

3 PLACE OF BIRTH (City) (County if known) (State)

4 MOTHER'S FULL NAME AT HER BIRTH (Her maiden name)

5 FATHER'S FULL NAME (Regardless of whether living or dead)

6 YOUR DATE OF BIRTH (Month) (Day) (Year)

7 YOUR PRESENT AGE (Age on last birthday)

8 YOUR SEX MALE ☐ FEMALE ☐

9 YOUR COLOR OR RACE WHITE ☐ NEGRO ☐ OTHER ☐

10 HAVE YOU EVER BEFORE APPLIED FOR OR HAD A SOCIAL SECURITY, RAILROAD, OR TAX ACCOUNT NUMBER? NO ☐ DON'T KNOW ☐ YES ☐ If "YES" Print STATE in which you applied and DATE you applied and SOCIAL SECURITY NUMBER if known

11 YOUR MAILING ADDRESS (Number and Street, Apt. No., P.O. Box, or Rural Route) (City) (State) (Zip Code)

12 TODAY'S DATE

13 TELEPHONE NUMBER

14 Sign YOUR NAME HERE (Do Not Print)

TREASURY DEPARTMENT Internal Revenue Service — Return completed application to nearest SOCIAL SECURITY ADMINISTRATION OFFICE

Form SS-5 (Rev.)

HAVE YOU COMPLETED ALL 14 ITEMS?

Your social security number is an important number that will never change. Today it is used in many ways. Among them are the following:

-- When you apply for any kind of license.
-- When you buy or sell property.
-- When you open a bank account.
-- When you file an income tax return.
-- When you register at a college.
-- When you apply for a loan.

If you do not already have a social security number and the social security identification card, apply for one NOW. The process takes time and must be done in person. You will complete the application form shown above. Be sure you have all the necessary information and proof of birth. Contact your local social security office to obtain the Form SS-5 necessary.

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THE W's

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Form W-4
(Rev. Aug. 1972)
Department of the Treasury
Internal Revenue Service

Employee's Withholding Allowance Certificate

(This certificate is for income tax withholding purposes only; it will remain in effect until you change it.)

Type or print your full name

Your social security number

Home address (Number and street or rural route)

City or town, State and ZIP code

Marital status
☐ Single ☐ Married
(If married but legally separated, or wife (husband) is a nonresident alien, check the single block.)

1 Total number of allowances you are claiming . . . . . .

2 Additional amount, if any, you want deducted from each pay (if your employer agrees) . . . . . $

I certify that to the best of my knowledge and belief, the number of withholding allowances claimed on this certificate does not exceed the number to which I am entitled.

Signature ▶ ..... Date ▶ ..... 19____

\$\$\$\$

1 Control number		2 Employer's State number

3 Employer's name, address, and ZIP code	4 Sub-total ☐	Correction ☐	Void ☐	
	7 Employer's identification number			

10 Employee's social security number	11 Federal income tax withheld	12 Wages, tips, other compensation	13 FICA tax withheld	14 Total FICA wages
15 Employee's name (first, middle, last)		16 Pension plan coverage? Yes/No	17	18 FICA tips
19 Employee's address and ZIP code				

Wage and Tax Statement

Copy B To be filed with employee's FEDERAL tax ret

Form W-2 — This information is being furnished to the Internal Revenue Service. — Department of the Treasury—Internal Revenue Service

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Form **1040A** Department of the Treasury—Internal Revenue Service

U.S. Individual Income Tax Return

Use IRS label. Otherwise, please print or type.	Your first name and initial (if joint return, also give spouse's name and initial)	Last name	Your social security number
	Present home address (Number and street, including apartment number, or rural route)		Spouse's social security no.
	City, town or post office, State and ZIP code		Your occupation
			Spouse's occupation

Do you want $1 to go to the Presidential Election Campaign Fund? Yes / No. Note: Checking Yes will not increase your tax or reduce your refund.
If joint return, does your spouse want $1 to go to this fund? Yes / No

For Privacy Act Notice, see page 5 of Instructions

Filing Status Check Only One Box

1 ☐ Single
2 ☐ Married filing joint return (even if only one had income)
3 ☐ Married filing separate return. If spouse is also filing, give spouse's social security number in the space above and enter full name here ▶
4 ☐ Unmarried head of household. Enter qualifying name ▶ . See page 11 of Instructions.

Exemptions

Always check the box labeled Yourself. Check other boxes if they apply.

5a ☐ Yourself ☐ 65 or over ☐ Blind
b ☐ Spouse ☐ 65 or over ☐ Blind
c First names of your dependent children who lived with you ▶

Enter number of boxes checked on 5a and b ▶
Enter number of children listed ▶

d Other dependents: (1) Name	(2) Relationship	(3) Number of months lived in your home.	(4) Did dependent have income of $750 or more?	(5) Did you provide more than one-half of dependent's support?

Enter number of other dependents ▶

6 Total number of exemptions claimed . . . . . Add numbers entered in boxes above ▶

Please Attach Copy B of Forms W-2 Here

7	Wages, salaries, tips, and other employee compensation. (Attach Forms W-2. If you do not have a W-2, see page 7 of Instructions)	7	
8	Interest income (see page 4 of Instructions)	8	
9a	Dividends ... 9b Exclusion ... Subtract line 9b from 9a ▶ (See pages 4 and 8 of Instructions)	9c	
10	Adjusted gross income (add lines 7, 8, and 9c). If under $8,000, see page 2 of Instructions on "Earned Income Credit." If eligible, enter child's name ▶	10	
11a	Credit for contributions to candidates for public office. Enter one-half of amount paid but do not enter more than $25 ($50 if joint return). (See page 8 of Instructions) 11a		
	IF YOU WANT IRS TO FIGURE YOUR TAX, PLEASE STOP HERE AND SIGN BELOW.		
b	Total Federal income tax withheld (if line 7 is larger than $17,700, see page 8 of Instructions) 11b		
c	Earned income credit (from page 2 of Instructions) 11c		
12	Total (add lines 11a, b, and c)	12	
13	Tax on the amount on line 10. (See Instructions for line 13 on page 9, then find your tax in the Tax Tables on pages 14–25.)	13	
14	If line 12 is larger than line 13, enter amount to be REFUNDED TO YOU ▶	14	
15	If line 13 is larger than line 12, enter BALANCE DUE. Attach check or money order for full amount payable to "Internal Revenue Service." Write social security number on check or money order ▶	15	

Please Attach Check or Money Order Here

Please Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Your signature ▶ Date | Spouse's signature (if filing jointly, BOTH must sign even if only one had income) ▶

Paid Preparer's Information

Preparer's signature ▶ | Preparer's social security no. | Check if self-employed ▶ ☐
Firm's name (or yours if self-employed), address and ZIP code ▶ | E.I. No. ▶ | Date ▶

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Form **1040** Department of the Treasury—Internal Revenue Service

U.S. Individual Income Tax Return

For Privacy Act Notice, see page 3 of Instructions | For the year January 1–December 31, or other tax year beginning , 1978, ending , 19

Use IRS label. Otherwise, please print or type.	Your first name and initial (if joint return, also give spouse's name and initial)	Last name	Your social security number
	Present home address (Number and street, including apartment number, or rural route)		Spouse's social security no.
	City, town or post office, State and ZIP code		Your occupation

Do you want $1 to go to the Presidential Election Campaign Fund? Yes No
If joint return, does your spouse want $1 to go to this fund? Yes No
Note: Checking Yes will not increase your tax or reduce your refund.
Spouse's occupation

Filing Status

Check only one box.

1 ☐ Single
2 ☐ Married filing joint return (even if only one had income)
3 ☐ Married filing separate return. If spouse is also filing, give spouse's social security number in the space above and enter full name here ▶
4 ☐ Unmarried head of household. Enter qualifying name ▶ . See page 6 of Instructions.
5 ☐ Qualifying widow(er) with dependent child (Year spouse died ▶ 19). See page 6 of Instructions.

Exemptions

Always check the box labeled Yourself. Check other boxes if they apply.

6a ☐ Yourself ☐ 65 or over ☐ Blind
b ☐ Spouse ☐ 65 or over ☐ Blind
Enter number of boxes checked on 6a and b ▶
c First names of your dependent children who lived with you ▶
Enter number of children listed ▶

d Other dependents: (1) Name	(2) Relationship	(3) Number of months lived in your home	(4) Did dependent have income of $750 or more?	(5) Did you provide more than one-half of dependent's support?

Enter number of other dependents ▶
Add numbers entered in boxes above ▶

7 Total number of exemptions claimed

Income

Please attach Copy B of your Forms W–2 here.

If you do not have a W–2, see page 5 of Instructions.

Please attach check or money order here.

8	Wages, salaries, tips, and other employee compensation	8	
9	Interest income (If over $400, attach Schedule B)	9	
10a	Dividends (If over $400, attach Schedule B) ..... 10b Exclusion		
10c	Subtract line 10b from line 10a	10c	
11	State and local income tax refunds (does not apply unless refund is for year you itemized deductions)	11	
12	Alimony received	12	
13	Business income or (loss) (attach Schedule C)	13	
14	Capital gain or (loss) (attach Schedule D)	14	
15	Taxable part of capital gain distributions not reported on Schedule D (see page 9 of Instructions)	15	
16	Net gain or (loss) from Supplemental Schedule of Gains and Losses (attach Form 4797)	16	
17	Fully taxable pensions and annuities not reported on Schedule E	17	
18	Pensions, annuities, rents, royalties, partnerships, estates or trusts, etc. (attach Schedule E)	18	
19	Farm income or (loss) (attach Schedule F)	19	
20	Other income (state nature and source—see page 10 of Instructions) ▶	20	
21	Total income. Add lines 8, 9, and 10c through 20 ▶	21	

Adjustments to Income

22	Moving expense (attach Form 3903)	22	
23	Employee business expenses (attach Form 2106)	23	
24	Payments to an IRA (see page 10 of Instructions)	24	
25	Payments to a Keogh (H.R. 10) retirement plan	25	
26	Interest penalty due to early withdrawal of savings	26	
27	Alimony paid (see page 10 of Instructions)	27	
28	Total adjustments. Add lines 22 through 27 ▶		28

Adjusted Gross Income

29	Subtract line 28 from line 21		29
30	Disability income exclusion (attach Form 2440)		30
31	Adjusted gross income. Subtract line 30 from line 29. If this line is less than $8,000, see page 2 of Instructions. If you want IRS to figure your tax, see page 4 of Instructions ▶		31

BEST COPY AVAILABLE

Tax Computation

32 Amount from line 31 32

33 If you do not itemize deductions, enter zero 33
If you itemize, complete Schedule A (Form 1040) and enter the amount from Schedule A, line 41 . . . .

Caution: If you have unearned income and can be claimed as a dependent on your parent's return, check here ▶ ☐ and see page 11 of the Instructions. Also see page 11 of the Instructions if:
- *You are married filing a separate return and your spouse itemizes deductions, OR*
- *You file Form 4563, OR*
- *You are a dual-status alien.*

34 Subtract line 33 from line 32. Use the amount on line 34 to find your tax from the Tax Tables, or to figure your tax on Schedule TC, Part I 34
Use Schedule TC, Part I, and the Tax Rate Schedules ONLY if:
- *The amount on line 34 is more than $20,000 ($40,000 if you checked Filing Status Box 2 or 5), OR*
- *You have more exemptions than those covered in the Tax Table for your filing status, OR*
- *You use any of these forms to figure your tax: Schedule D, Schedule G, or Form 4726.*

Otherwise, you MUST use the Tax Tables to find your tax.

35 Tax. Enter tax here and check if from ☐ Tax Tables or ☐ Schedule TC 35

36 Additional taxes. (See page 11 of Instructions.) Enter total and check if from ☐ Form 4970, ☐ Form 4972, ☐ Form 5544, ☐ Form 5405, or ☐ Section 72(m)(5) penalty tax . . . 36

37 Total. Add lines 35 and 36 . . . . . ▶ 37

Credits

38	Credit for contributions to candidates for public office . .	38	
39	Credit for the elderly (*attach Schedules R&RP*)	39	
40	Credit for child and dependent care expenses (*attach Form 2441*) .	40	
41	Investment credit (*attach Form 3468*)	41	
42	Foreign tax credit (*attach Form 1116*)	42	
43	Work Incentive (WIN) Credit (*attach Form 4874*)	43	
44	New jobs credit (*attach Form 5884*)	44	
45	Residential energy credits (*see page 12 of Instructions. attach Form 5695*) . . .	45	

46 Total credits. Add lines 38 through 45 46

47 Balance. Subtract line 46 from line 37 and enter difference (but not less than zero) . ▶ 47

Other Taxes

48 Self-employment tax (*attach Schedule SE*) 48

49 Minimum tax. Check here ▶ ☐ and attach Form 4625 49

50 Tax from recomputing prior-year investment credit (*attach Form 4255*) 50

51 Social security (FICA) tax on tip income not reported to employer (*attach Form 4137*) . . 51

52 Uncollected employee FICA and RRTA tax on tips (*from Form W-2*) 52

53 Tax on an IRA (*attach Form 5329*) 53

54 Total tax. Add lines 47 through 53 . . . . . ▶ 54

Payments

Attach Forms W-2, W-2G, and W-2P to front.

55	Total Federal income tax withheld	55	
56	1978 estimated tax payments and credit from 1977 return .	56	
57	Earned income credit. If line 31 is under $8,000, see page 2 of Instructions. If eligible, enter child's name ▶	57	
58	Amount paid with Form 4868	58	
59	Excess FICA and RRTA tax withheld (two or more employers)	59	
60	Credit for Federal tax on special fuels and oils (*attach Form 4136*) .	60	
61	Regulated Investment Company credit (*attach Form 2439*)	61	

62 Total. Add lines 55 through 61 . . . . . ▶ 62

Refund or Due

63 If line 62 is larger than line 54, enter amount OVERPAID . . . . . ▶ 63

64 Amount of line 63 to be REFUNDED TO YOU . . . . . ▶ 64

65 Amount of line 63 to be credited on 1979 estimated tax . ▶ 65

66 If line 54 is larger than line 62, enter BALANCE DUE. Attach check or money order for full amount payable to "Internal Revenue Service." Write your social security number on check or money order . . ▶ 66
(Check ▶ ☐ if Form 2210 (2210F) is attached. See page 14 of instructions.) ▶ $

Please Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

▶ Your signature Date | ▶ Spouse's signature (if filing jointly, BOTH must sign even if only one had income)

Paid Preparer's Information

Preparer's signature ▶ | Preparer's social security no. | Check if self-employed ▶ ☐

Firm's name (or yours, if self-employed), address and ZIP code ▶ | E.I. No. ▶

Date ▶

40 73

Audit!!

Taxpayers who itemize their deductions can evaluate their returns to determine the possibilities of an audit.
The chart below shows average deductions for taxpayers in five income brackets and the total percentage of income claimed as deductions.
Taxpayers who have deductions larger than the "average" shown may be chosen for audit and need to be certain they can substantiate each deduction.
Study the chart and answer the questions which follow.

Adjusted Gross Income	Contributions	Interest Payments	Taxes	Medical Expenses	Total as a Percentage of Income
$15,000-$20,000	$472	$1,690	$1,503	$586	25%
$20,000-$25,000	542	1,836	1,869	487	22
$25,000-$30,000	646	1,977	2,262	442	20
$30,000-$50,000	939	2,366	3,050	523	19
$50,000-$100,000	2,015	3,954	5,383	700	19

1. Discuss the types of items which might be included in each of the categories shown: Contributions, Interest Payments, Taxes, and Medical Expenses.

2. Determine which income brackets the following amounts might cause the return to be audited:

Contributions:	$1000	_____
Interest	2000	_____
Taxes	2000	_____
Medical	500	_____

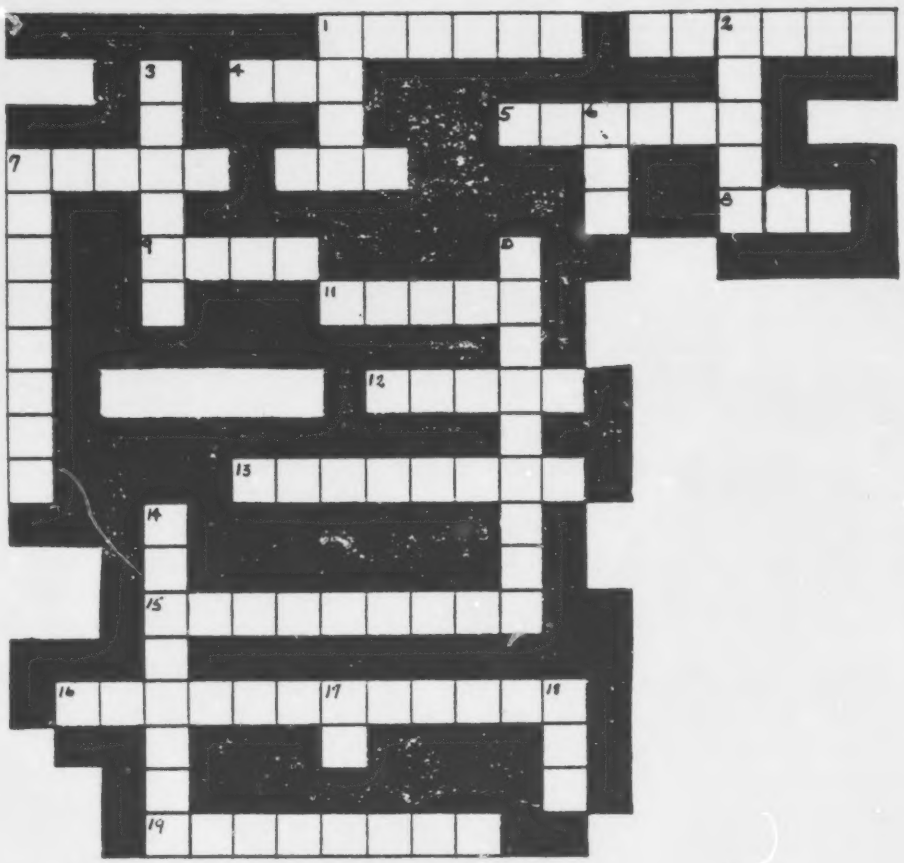
3. Use the percentage figures to determine the total a taxpayer with an adjusted gross income of $25,000 could expect to be able to claim without an audit.

4. Compute the dollar amount of deductions for a taxpayer with an adjusted gross income of $40,000.

5. Discuss the reasons such a chart can be used as a guide only.

AN OFFER YOU Can't Avoid WORDS

Twenty of the "Passwords" you learned in *An Offer You Can't Avoid* appear below. See if you can find them.



ACROSS

1. "single," etc. (two words)
4. adjusted gross income
5. money earned
7. tax on goods and services (two words)
8. required payment in U.S.
9. tax form for itemizing deductions
11. tax ____ for finding tax due
12. statement intended to deceive
13. tax on real estate
15. standard deduction for taxpayer and dependents
16. deductions not meeting requirements
19. audit selected at random

DOWN

1. Federal Insurance Contributions Act
2. Enrolled ____ - one who has passed exam
3. Direct deduction from taxes
6. Certified Public Accountant
7. Social ___ - Payroll tax
10. itemized amounts deducted from income
14. one who completes tax return for someone
17. wage and tax statement
18. form used to apply for social security number

An Offer You Can't Avoid

NOW THAT YOU HAVE COMPLETED THE ACTIVITIES IN THE TAXES PAL, YOU SHOULD BE ABLE TO:

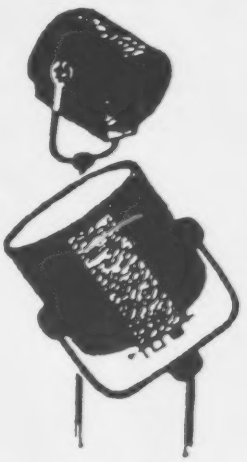
1. Define the passwords.
2. Know the principal reason for taxes.
3. Know four reasons for tax penalties.
4. Describe income, property, sales, user and social security taxes.
5. Calculate the dollar amount of tax.
6. Calculate the tax rate.
7. Calculate the amount of property tax owed by an individual.
8. Calculate social security deductions.
9. Identify examples of proportional, progressive & regressive taxes.
10. Distinguish between & fill out forms 1040, 1040A, SS-5, W-2, W-4 & W-4E.
11. Use given information to see whether a person should file a tax return and/or itemize deductions.
12. Identify examples of deductions.
13. Use given information to calculate the number & type of deductions.
14. Calculate a persons's tax liability.
15. Use given information to figure the amount of personal income tax owed.
16. Identify sources of tax help.
17. Identify good & bad features of different tax help sources.
18. Identify reasons for tax audits.
19. Know the length of time individuals should keep their tax records for possible audit.

film guide:

Taxes: Why We Have Them

Will Rankin leaves civilization to become a "tax-free" man. Stumbling into a ghost town, he meets shotgun toting Molly Travers. She explains how federal, state, and local taxes work. While Molly admits there are problems in the system, she insists that taxpayers must realize that services don't come free. It's up to us to decide our priorities.

As you watch this film, or when it is completed, answer the following questions:



1. Name five services paid for by taxes.

2. List the three levels of government. What kinds of taxes does each have? What kinds of services does each provide?

3. Define and describe progressive and regressive taxes. Name the advantages and disadvantages of each. Why do we have both types of taxes?

4. Do all taxes go directly into services for citizens? Why?

TAXES

?

SALES TAX

45-78

Transparency Master #1
Taxes

Why?

Taxes provide:

Education

Highways

Libraries

Protection

Postal Services

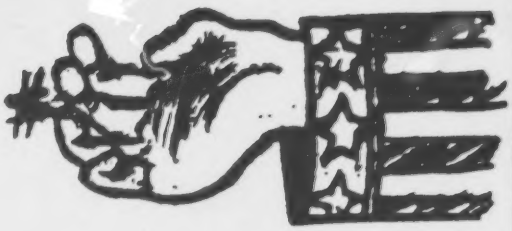
etc., etc.

Transparency Master #2
Taxes

THE BUDGET DOLLAR

WHERE IT CAME FROM

INDIVIDUAL INCOME TAXES	43¢
SOCIAL INSURANCE RECEIPTS	30¢
CORPORATION INCOME TAXES	13¢
BORROWING	5¢
OTHER	5¢
EXCISE TAXES	4¢



WHERE IT WENT

DIRECT BENEFITS TO INDIVIDUALS	39¢
NATIONAL DEFENSE	24¢
GRANTS TO STATES & LOCALITIES	16¢
OTHER FEDERAL OPERATIONS	12¢
NET INTEREST	9¢

Transparency Master #3
Taxes

PENALTY!

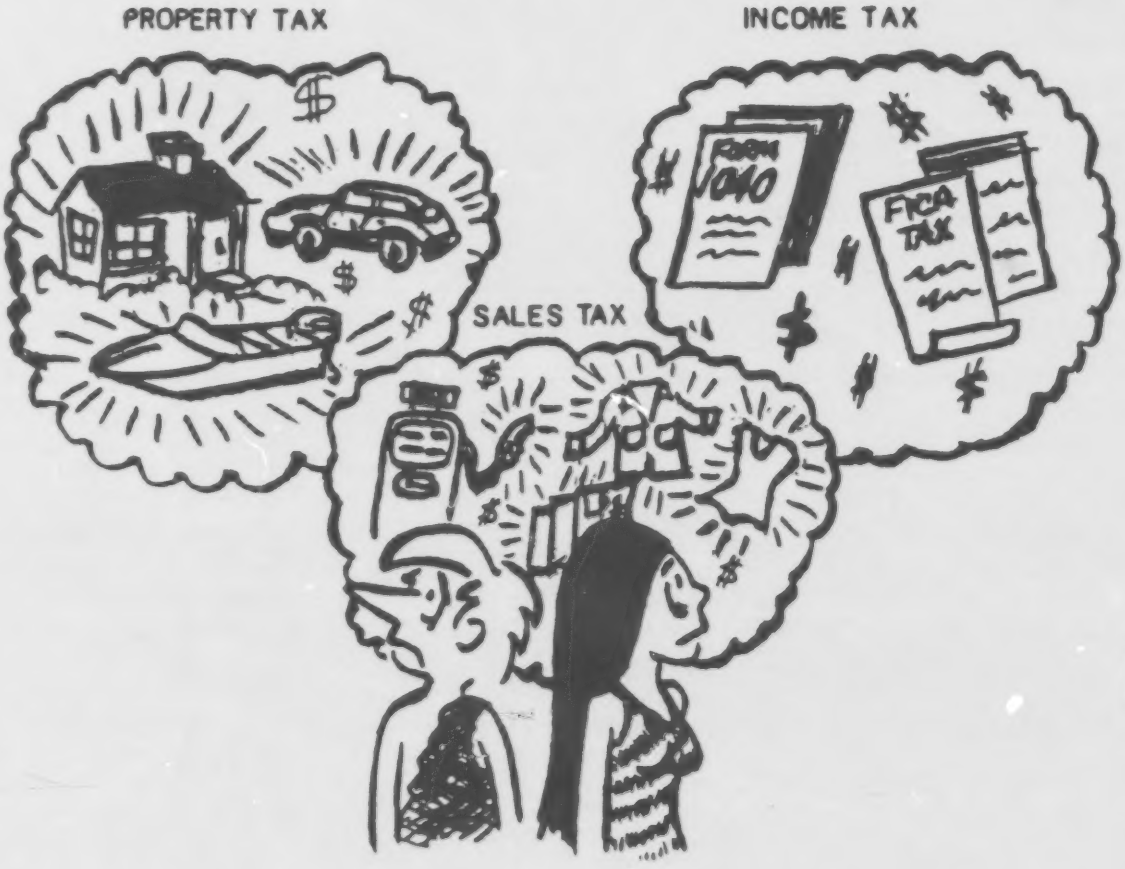
FAILURE TO FILE : 25%

FAILURE TO PAY : 25%

FRAUD : 50%

Transparency Master #4
Taxes

HERE A TAX,
THERE A TAX,
EVERYWHERE A TAX...



Transparency Master #5
Taxes

HERE A TAX, THERE A TAX, EVERYWHERE A TAX...

SALES AND USE TAX

INTANGIBLE PERSONAL PROPERTY TAX

AD VALOREM TAX ON REAL PROPERTY

MOTOR VEHICLE LICENSE

AD VALOREM TAX ON TANGIBLE PERSONAL PROPERTY

MOTOR FUEL TAX

RACING TAXES

FISHING AND HUNTING LICENSES

COMMERCIAL ROAD TAX

DRIVER'S LICENSE

MOTOR VEHICLE INSPECTION

BEVERAGE TAXES AND LICENSES

CIGARETTE TAX

DOCUMENTARY STAMP TAX

DOCUMENTARY SURTAX

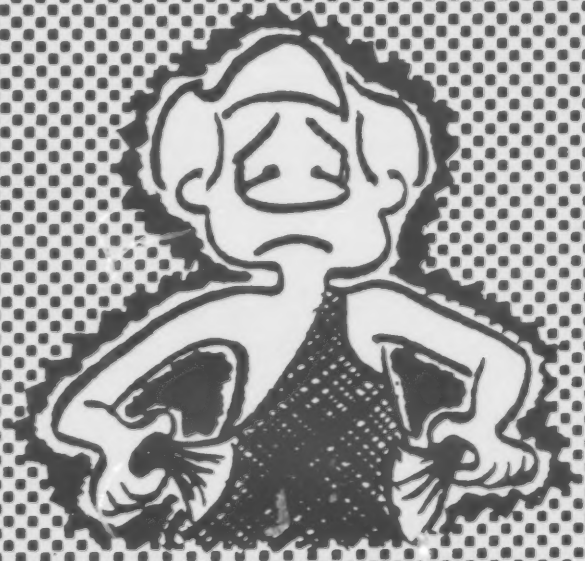
CITRUS TAX

OCCUPATIONAL LICENSE TAX AND FEES

CORPORATION INCOME TAX

FLORIDA UNEMPLOYMENT COMPENSATION FUND

BONDED INDEBTNESS



Transparency Master #6
Taxes

Do I have to file a tax return?

Single

(under 65)

$2,950

Single

(over 65)

$3,700

Married

(both spouses filing separate returns)

$750

Married

(both spouses under 65)

$4,700

Married

(one over 65)

$5,450

Married

(both over 65)

$6,200

Transparency Master #7
Taxes

Form **1040A** Department of the Treasury—Internal Revenue Service

U.S. Individual Income Tax Return

Use IRS label. Otherwise, please print or type.	Your first name and initial (if joint return, also give spouse's name and initial)	Last name	Your social security number
	Present home address (Number and street, including apartment number, or rural route)		Spouse's social security no.
	City, town or post office, State and ZIP code		Your occupation

▶ Do you want $1 to go to the Presidential Election Campaign Fund? ☐ Yes ☐ No
If joint return, does your spouse want $1 to go to this fund? ☐ Yes ☐ No

Note: Checking Yes will not increase your tax or reduce your refund.

Spouse's occupation

For Privacy Act Notice, see page 5 of Instructions.

Filing Status Check Only One Box

1 ☐ Single
2 ☐ Married filing joint return (even if only one had income)
3 ☐ Married filing separate return. If spouse is also filing, give spouse's social security number in the space above and enter full name here ▶
4 ☐ Unmarried head of household. Enter qualifying name ▶ . See page 11 of Instructions.

Exemptions

Always check the box labeled Yourself. Check other boxes if they apply.

5a ☐ Yourself ☐ 65 or over ☐ Blind
b ☐ Spouse ☐ 65 or over ☐ Blind

Enter number of boxes checked on 5a and b ▶ ☐

c First names of your dependent children who lived with you ▶

Enter number of children listed ▶ ☐

d Other dependents:

(1) Name	(2) Relationship	(3) Number of months lived in your home.	(4) Did dependent have income of $750 or more?	(5) Did you provide more than one-half of dependent's support?

Enter number of other dependents ▶ ☐

6 Total number of exemptions claimed . . . . . Add numbers entered in boxes above ▶ ☐

Please Attach Copy B of Forms W-2 Here

7	Wages, salaries, tips, and other employee compensation. (Attach Forms W-2. If you do not have a W-2, see page 7 of Instructions)	7	
8	Interest income (see page 4 of Instructions)	8	
9a	Dividends ____ 9b Exclusion ____ Subtract line 9b from 9a ▶	9c	
	(See pages 4 and 8 of Instructions)		
10	Adjusted gross income (add lines 7, 8, and 9c). If under $8,000, see page 2 of Instructions on "Earned Income Credit." If eligible, enter child's name ▶	10	
11a	Credit for contributions to candidates for public office. Enter one-half of amount paid but do not enter more than $25 ($50 if joint return). (See page 8 of Instructions) 11a		
	IF YOU WANT IRS TO FIGURE YOUR TAX, PLEASE STOP HERE AND SIGN BELOW.		
b	Total Federal income tax withheld (if line 7 is larger than $17,700, see page 8 of Instructions) 11b		
c	Earned income credit (from page 2 of Instructions) 11c		
12	Total (add lines 11a, b, and c)	12	
13	Tax on the amount on line 10. (See Instructions for line 13 on page 9, then find your tax in the Tax Tables on pages 14–25.)	13	
14	If line 12 is larger than line 13, enter amount to be REFUNDED TO YOU ▶	14	
15	If line 13 is larger than line 12, enter BALANCE DUE. Attach check or money order for full amount payable to "Internal Revenue Service." Write social security number on check or money order ▶	15	

Please Attach Check or Money Order Here

Please Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Your signature ____ Date ____ Spouse's signature (if filing jointly, BOTH must sign even if only one had income)

Paid Preparer's Information

Preparer's signature ▶ Preparer's social security no. Check if self-employed ▶ ☐

Firm's name (or yours, if self-employed), address and ZIP code ▶ E.I. No. ▶ Date ▶

95

52

Form **1040** **U.S. Individual Income Tax Return**

For Privacy Act Notice, see page 3 of Instructions | For the year January 1–December 31, or other tax year beginning , 1978, ending , 19

Use IRS label. Otherwise, please print or type.

Your first name and initial (if joint return, also give spouse's name and initial) | Last name | Your social security number

Present home address (Number and street, including apartment number, or rural route) | Spouse's social security no.

City, town or post office, State and ZIP code | Your occupation

Do you want $1 to go to the Presidential Election Campaign Fund? ☐ Yes ☐ No
If joint return, does your spouse want $1 to go to this fund? ☐ Yes ☐ No
Note: Checking Yes will not increase your tax or reduce your refund. | Spouse's occupation

Filing Status

Check only one box.

1 ☐ Single
2 ☐ Married filing joint return (even if only one had income)
3 ☐ Married filing separate return. If spouse is also filing, give spouse's social security number in the space above and enter full name here ▶
4 ☐ Unmarried head of household. Enter qualifying name ▶ . See page 6 of Instructions.
5 ☐ Qualifying widow(er) with dependent child (Year spouse died ▶ 19). See page 6 of Instructions.

Exemptions

Always check the box labeled Yourself. Check other boxes if they apply.

6a ☐ Yourself ☐ 65 or over ☐ Blind
b ☐ Spouse ☐ 65 or over ☐ Blind
Enter number of boxes checked on 6a and b ▶

c First names of your dependent children who lived with you ▶
Enter number of children listed ▶

d Other dependents: (1) Name	(2) Relationship	(3) Number of months lived in your home	(4) Did dependent have income of $750 or more?	(5) Did you provide more than one-half of dependent's support?

Enter number of other dependents ▶

Add numbers entered in boxes above ▶

7 Total number of exemptions claimed

Income

Please attach Copy B of your Forms W-2 here.

If you do not have a W-2, see page 5 of Instructions.

Please attach check or money order here.

8	Wages, salaries, tips, and other employee compensation	8	
9	Interest income (*If over $400, attach Schedule B*)	9	
10a	Dividends (*If over $400, attach Schedule B*) ..... 10b Exclusion		
10c	Subtract line 10b from line 10a	10c	
11	State and local income tax refunds (*does not apply unless refund is for year you itemized deductions*)	11	
12	Alimony received	12	
13	Business income or (loss) (*attach Schedule C*)	13	
14	Capital gain or (loss) (*attach Schedule D*)	14	
15	Taxable part of capital gain distributions not reported on Schedule D (see page 9 of Instructions)	15	
16	Net gain or (loss) from Supplemental Schedule of Gains and Losses (*attach Form 4797*)	16	
17	Fully taxable pensions and annuities not reported on Schedule E	17	
18	Pensions, annuities, rents, royalties, partnerships, estates or trusts, etc. (*attach Schedule E*)	18	
19	Farm income or (loss) (*attach Schedule F*)	19	
20	Other income (state nature and source—see page 10 of Instructions) ▶	20	
21	Total income. Add lines 8, 9, and 10c through 20 ▶	21	

Adjustments to Income

22	Moving expense (*attach Form 3903*)	22	
23	Employee business expenses (*attach Form 2106*)	23	
24	Payments to an IRA (see page 10 of Instructions)	24	
25	Payments to a Keogh (*H.R. 10*) retirement plan	25	
26	Interest penalty due to early withdrawal of savings	26	
27	Alimony paid (see page 10 of Instructions)	27	
28	Total adjustments. Add lines 22 through 27 ▶	28	

Adjusted Gross Income

29	Subtract line 28 from line 21	29	
30	Disability income exclusion (*attach Form 2440*)	30	
31	Adjusted gross income. Subtract line 30 from line 29. *If this line is less than $8,000, see page 2 of Instructions.* If you want IRS to figure your tax, see page 4 of Instructions ▶	31	

Transparency Master #9
Taxes

8653

Tax Computation

32 Amount from line 31 32

33 If you do not itemize deductions, enter zero 33
If you itemize, complete Schedule A (Form 1040) and enter the amount from Schedule A, line 41 . . . .

Caution: If you have unearned income and can be claimed as a dependent on your parent's return, check here ▶ ☐ and see page 11 of the Instructions. Also see page 11 of the Instructions if:
- *You are married filing a separate return and your spouse itemizes deductions, OR*
- *You file Form 4563, OR*
- *You are a dual-status alien.*

34 Subtract line 33 from line 32. Use the amount on line 34 to find your tax from the Tax Tables, or to figure your tax on Schedule TC, Part I 34
Use Schedule TC, Part I, and the Tax Rate Schedules ONLY if:
- *The amount on line 34 is more than $20,000 ($40,000 if you checked Filing Status Box 2 or 5), OR*
- *You have more exemptions than those covered in the Tax Table for your filing status, OR*
- *You use any of these forms to figure your tax: Schedule D, Schedule G, or Form 4726.*

Otherwise, you MUST use the Tax Tables to find your tax.

35 Tax. Enter tax here and check if from ☐ Tax Tables or ☐ Schedule TC 35

36 Additional taxes. (See page 11 of Instructions.) Enter total and check if from ☐ Form 4970, ☐ Form 4972, ☐ Form 5544, ☐ Form 5405, or ☐ Section 72(m)(5) penalty tax . . . 36

37 Total. Add lines 35 and 36 . . . . . ▶ 37

Credits

38	Credit for contributions to candidates for public office . .	38	
39	Credit for the elderly (*attach Schedules R&RP*)	39	
40	Credit for child and dependent care expenses (*attach Form 2441*) .	40	
41	Investment credit (*attach Form 3468*)	41	
42	Foreign tax credit (*attach Form 1116*)	42	
43	Work Incentive (WIN) Credit (*attach Form 4874*)	43	
44	New jobs credit (*attach Form 5884*)	44	
45	Residential energy credits (*see page 12 of Instructions, attach Form 5695*) . . .	45	

46 Total credits. Add lines 38 through 45 46

47 Balance. Subtract line 46 from line 37 and enter difference (but not less than zero) . ▶ 47

Other Taxes

48 Self-employment tax (*attach Schedule SE*) 48

49 Minimum tax. Check here ▶ ☐ and attach Form 4625 49

50 Tax from recomputing prior-year investment credit (*attach Form 4255*) 50

51 Social security (FICA) tax on tip income not reported to employer (*attach Form 4137*) . . 51

52 Uncollected employee FICA and RRTA tax on tips (*from Form W-2*) 52

53 Tax on an IRA (*attach Form 5329*) 53

54 Total tax. Add lines 47 through 53 . . . . . ▶ 54

Payments

Attach Forms W-2, W-2G, and W-2P to front.

55	Total Federal income tax withheld	55	
56	1978 estimated tax payments and credit from 1977 return .	56	
57	Earned income credit. If line 31 is under $8,000, see page 2 of Instructions. If eligible, enter child's name ▶	57	
58	Amount paid with Form 4868	58	
59	Excess FICA and RRTA tax withheld (two or more employers)	59	
60	Credit for Federal tax on special fuels and oils (*attach Form 4136*) .	60	
61	Regulated Investment Company credit (*attach Form 2439*)	61	

62 Total. Add lines 55 through 61 . . . . . ▶ 62

Refund or Due

63 If line 62 is larger than line 54, enter amount OVERPAID . . . . . ▶ 63

64 Amount of line 63 to be REFUNDED TO YOU . . . . . ▶ 64

65 Amount of line 63 to be credited on 1979 estimated tax . ▶ 65

66 If line 54 is larger than line 62, enter BALANCE DUE. Attach check or money order for full amount payable to "Internal Revenue Service." Write your social security number on check or money order . . ▶ 66
(Check ▶ ☐ if Form 2210 (2210F) is attached. See page 14 of Instructions.) ▶ $

Please Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

▶ Your signature Date ▶ Spouse's signature (if filing jointly, BOTH must sign even if only one had income)

Paid Preparer's Information

Preparer's signature ▶ 54 Preparer's social security no. Check if self-employed ▶ ☐

Firm's name (or yours, if self-employed), address and ZIP code ▶ 87 E.I. No. ▶

Date ▶

Answer Keys

CLASSROOM TEACHERS ARE AUTHORIZED TO
REPRODUCE THIS ORIGINAL COPY FOR USE
IN THEIR CLASSROOMS.

NAME _____

CLASS _____

DATE _____

An Offer You Can't Avoid

1 Ⓐ ● Ⓒ Ⓓ

2 Ⓐ Ⓑ ● Ⓓ

3 Ⓐ ● Ⓒ Ⓓ

4 ● Ⓑ Ⓒ Ⓓ

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6 ● Ⓑ Ⓒ Ⓓ

7 Ⓐ ● Ⓒ Ⓓ

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17 Ⓐ ● Ⓒ Ⓓ

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STATE TAXES—

WHO PAYS MOST, LEAST

Connecticut, Delaware and Washington have the highest state tax on gasoline of all the states at 11 cents per gallon, according to the Commerce Clearing House, Inc., a private group that keeps track of taxes and business law. Connecticut has the highest state sales tax, at 7 percent, and, along with Florida and Massachusetts, the highest cigarette tax at 21 cents a pack. This map gives the gasoline, sales and cigarette taxes for each of the 50 states, plus the District of Columbia, as of July 1, 1978.

Use the map illustration, the key and the information given below the map to find the answers and discuss the following questions:

1. Find YOUR state. How does it rank in taxes? ANSWERS WILL VARY

2. Use your knowledge of geography and resources to determine some of the reasons for specific taxes being high in some areas of the country, and low in other areas. ANSWERS WILL VARY

3. Find the total tax paid on 10 gallons of gasoline, a $10.00 purchase, and one package of cigarettes in the following states:

Washington: $1.72 Maine: $1.56 Florida: $1.41

California: $1.28 Delaware: $1.24

Audit!!

Taxpayers who itemize their deductions can evaluate their returns to determine the possibilities of an audit.
The chart below shows average deductions for taxpayers in five income brackets and the total percentage of income claimed as deductions.
Taxpayers who have deductions larger than the "average" shown may be chosen for audit and need to be certain they can substantiate each deduction.
Study the chart and answer the questions which follow.

Adjusted Gross Income	Contributions	Interest Payments	Taxes	Medical Expenses	Total as a Percentage of Income
$15,000-$20,000	$472	$1,690	$1,503	$586	25%
$20,000-$25,000	542	1,836	1,869	487	22
$25,000-$30,000	646	1,977	2,262	442	20
$30,000-$50,000	939	2,366	3,050	523	19
$50,000-$100,000	2,015	3,954	5,383	700	19

1. Discuss the types of items which might be included in each of the categories shown: Contributions, Interest Payments, Taxes, and Medical Expenses.

ANSWERS WILL VARY

2. Determine which income brackets the following amounts might cause the return to be audited:

Contributions:	$1000	$15,000 - $50,000
Interest	2000	$15,000 - $30,000
Taxes	2000	$15,000 - $25,000
Medical	500	$50,000 - $100,000

3. Use the percentage figures to determine the total a taxpayer with an adjusted gross income of $25,000 could expect to be able to claim without an audit.

$5,500

4. Compute the dollar amount of deductions for a taxpayer with an adjusted gross income of $40,000.

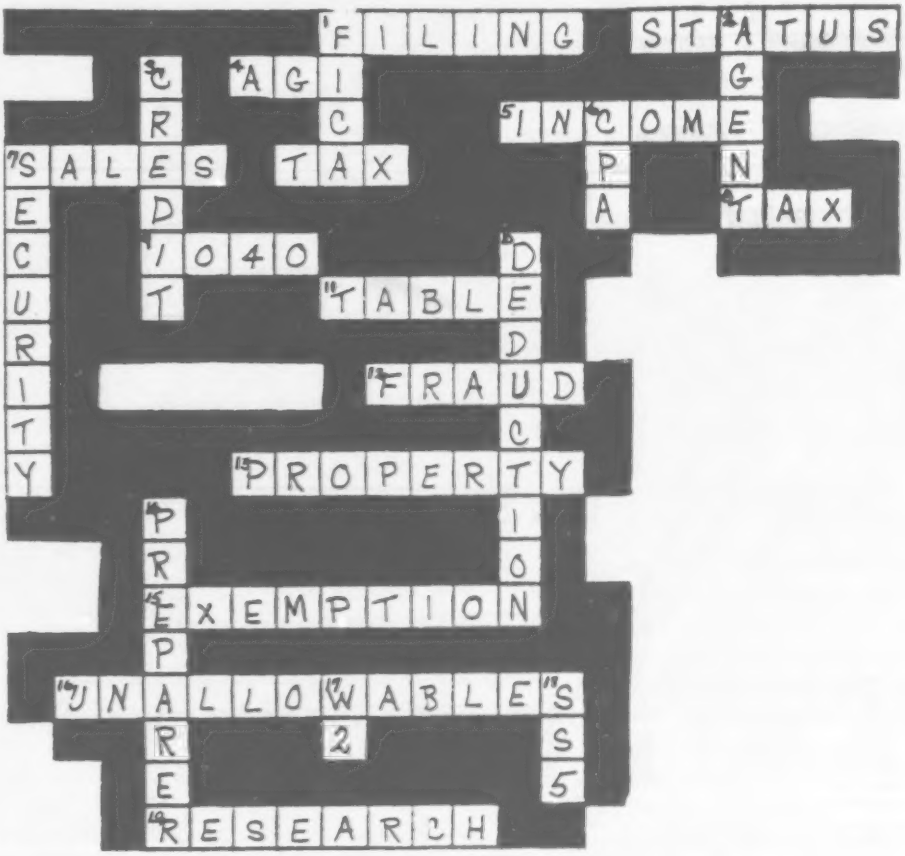
$6,878

5. Discuss the reasons such a chart can be used as a guide only.

ANSWERS WILL VARY

AN OFFER YOU Can't Avoid WORDS

Twenty of the "Passwords" you learned in *An Offer You Can't Avoid* appear below. See if you can find them.



ACROSS

1. "single," etc. (two words)
4. adjusted gross income
5. money earned
7. tax on goods and services (two words)
8. required payment in U.S.
9. tax form for itemizing deductions
11. tax ____ for finding tax due
12. statement intended to deceive
13. tax on real estate
15. standard deduction for taxpayer and dependents
16. deductions not meeting requirements
19. audit selected at random

DOWN

1. Federal Insurance Contributions Act
2. Enrolled _____ - one who has passed exam
3. Direct deduction from taxes
6. Certified Public Accountant
7. Social ____ - Payroll tax
10. itemized amounts deducted from income
14. one who completes tax return for someone
17. wage and tax statement
18. form used to apply for social security number

We have all heard about taxes and we have all heard about SCARCITY. Since we have limited dollars and cents and unlimited needs and wants, we have a problem of Scarcity.

TAXES & SCARCITY

We must carefully allocate our dollars and cents to best fulfill our needs and satisfy as many wants as we can.

HOWEVER

We control how we spend our personal dollars and cents--except for taxes.
By law, the government takes some of our limited resources to provide services for the good of all citizens.

Governments at the local, State, and Federal levels levy taxes and fees of various kinds to provide services of various kinds. This PAL will provide information on those taxes and services. But first, *WHAT ARE YOUR ATTITUDES TOWARD TAXES?*

Complete the following sentences:

1. *Income taxes are* ANSWERS WILL VARY .
2. *For my taxes, I want* ANSWERS WILL VARY .
3. *When it comes to taxes, politicians should* ANSWERS WILL VARY .
4. *Taxes on real estate property are* ANSWERS WILL VARY .
5. *When it comes to paying taxes, I* ANSWERS WILL VARY .

✓ EACH DEFINITION WITH WHICH YOU AGREE:

TAXES

- ☐ *are what we pay for a civilized society.*
  Oliver Wendell Holmes Jr.
- ☐ *are direct levies on the income earned by individuals and corporations.*
- ☐ *provide schools, colleges, homes for children and the aged, protection of the environment, health services, social services, etc.*
- ☐ *are a necessary evil.*
- ☐ *serve two major purposes in the United States: a basic source of revenue for federal, state and local governments; a means of influencing the activity of the economy.*
- ☐ *are a compulsory contribution of money to be made to a government to provide for services for the common good.*
- ☐ *now account for the largest single bite out of the annual earnings of an individual.*

ALL OF THE ABOVE MAY BE TRUE--IT DEPENDS ON YOUR OWN TAX EXPERIENCES AND VIEWPOINT.

Taxes and Problems

The news media are full of stories about taxes, new and old. We hear people complain about paying taxes and we read stories about people who fail to pay their fair share of taxes. Taxes, it seems, are a PROBLEM.

What is a problem? Write your definition of PROBLEM:

ANSWERS WILL VARY

Share your sentences with others if you wish.

More on Attitudes Toward Taxes

Select from the following list the response which best indicates your attitude toward each statement:

A = Agree D = Disagree N = No Opinion

ANSWERS WILL VARY

___ 1. *Rich or poor, one should pay his taxes.*

___ 2. *Many of the best things in life come from tax dollars.*

___ 3. *A penny paid in taxes is a penny spent on the good of the community or nation.*

___ 4. *A person cannot be a good citizen unless she pays her taxes.*

___ 5. *Taxes are the root of all evil.*

___ 6. *Taxes are not among the delights of life.*

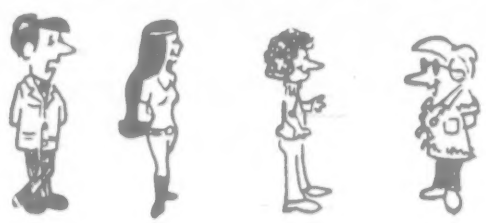
___ 7. *Of all debts, persons are least willing to pay taxes.*

___ 8. *Taxes are debts we pay to the community and nation which provide us with services and freedoms.*

___ 9. *Sales taxes are the best form of taxation.*

___ 10. *It is better to use hidden taxes (like those on gasoline and cigarettes) than taxes like income and sales taxes.*

If you wish, discuss your responses and your reasons with others. Get their positions and reasons as well. We might all learn something about our attitudes toward taxes.



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Give and You Shall Receive

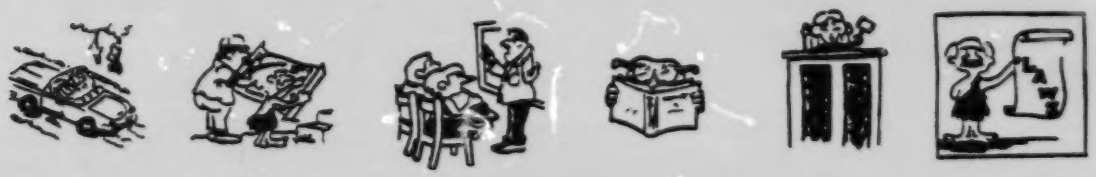
In one way or another we all seem to pay taxes. Tax payments are made to local, state, and federal governments. Think about the many services provided by government.

WHAT SERVICES DID YOU RECEIVE FROM GOVERNMENT LAST WEEK??

1. *Drove on streets, roads and highways.*
2. ANSWERS WILL VARY
3.
4.
5.
6. *Checked book out from library*
7.
8. ANSWERS WILL VARY
9.
10.
11.
12. *Education (my school)*

ANSWERS WILL VARY

Discuss the level of government which provides these services: LOCAL, STATE, FEDERAL. Some services are provided by more than one level of government. (For example, state and federal money is used to build and maintain many highways.)



What might the following diagram have to do with the meaning of the word PROBLEM?

REAL ⟵ ⟶ IDEAL

What might the following diagram have to do with the definition of the word PROBLEM?

WHERE WE ARE, WHAT'S GOING ON ⟵ ⟶ WHERE WE WANT TO BE

When people talk about THE TAX PROBLEM, or THE PROBLEM WITH TAXES, what could they mean? Write your ideas:

ANSWERS WILL VARY

Consumer-citizens do often have problems about taxes. They think taxes are too high, or too low. They think taxes are unfair, etc. But all consumer-citizens do not take effective action about these tax problems.

There are three types of consumer-citizen response to tax problems:

INACTIVE	REACTIVE	PROACTIVE
Consumer-citizen withdraws from facing problems with unfairness, etc., she feels about her own taxes. She just pays them and forgets it. Escapes. She doesn't worry about societal tax issues--she feels powerless to do anything about them anyway.	*Consumer-citizen just responds to her problems as she sees them. When something goes wrong, then she will get moving.*	*Consumer-citizen is concerned about issues involving tax policy: fairness of taxes, who pays taxes, etc. She participates in organizations helping to get good tax policies.*

Read the story of George Dawson. Decide whether or not he has a reasonable position. Then discuss the judgments of your parents and friends about persons in George's position.

GEORGE DAWSON WAS RETIRED AND LIVING ON A FIXED INCOME. EACH YEAR HIS PROPERTY TAXES WENT UP. NOW THE COSTS WERE MAKING LIVING DIFFICULT. HE WAS ALMOST ON THE VERGE OF HAVING TO SELL HIS $18,000 HOME--IN WHICH HE HAD LIVED FOR FIFTY YEARS. GEORGE THINKS THAT THE TAXES ARE UNFAIR. HE HAS PAID OVER THE YEARS FOR THE OLD SCHOOL BUILDINGS IN TOWN--THE SEWER SYSTEM--THE POLICE STATION--THE STREETS--THE OLD PARK DOWNTOWN—AND FOR OTHER SUCH IMPROVEMENTS. HE FEELS THAT THE NEW RESIDENTS—THE ONES WHO MAKE SEWER EXPANSION, NEW PARKS, NEW STREETS, ETC. NECESSARY--SHOULD BE PAYING MORE! HE THINKS THAT HE SHOULD BE PAYING LESS.

What would George Dawson do if he were an INACTIVE consumer-citizen? A REACTIVE consumer-citizen? A PROACTIVE consumer-citizen?

ANSWERS WILL VARY, BUT SHOULD INCLUDE:

INACTIVE George: (PAY HIS TAXES AND TRY NOT TO THINK ABOUT IT)

REACTIVE George: (WHEN HE CAN'T PAY HIS TAXES HE WILL DECIDE TO DO AND ACT)

PROACTIVE George: (HE WILL JOIN OR ORGANIZE GROUPS TO WORK FOR FAIRER TAXES FOR THE SENIOR CITIZEN)

Let's assume that George has decided to try to change the local tax laws. He feels that older citizens in long-established residential areas should get a tax break. He also feels that taxes and fees on housing in new developments around his home town should be increased. George can not do it alone. He will need friends and allies who have power (influence) on the government process. George needs to answer these questions:

1. WHAT INFORMATION AND SKILLS DOES GEORGE NEED?

   WHO HAS THE INFORMATION AND SKILLS?

2. WHAT WORK AND SUPPORT ARE REQUIRED?

   WHO HAS WORKERS AND SUPPORTERS FRIENDLY TO GEORGE'S PROJECT?

3. WHO ARE THE IMPORTANT LEADERS AND LEGITIMATIZERS IN GEORGE'S COMMUNITY?

   WHO AMONG THEM ARE FRIENDS OR CAN BE PERSUADED TO ENDORSE THE PROJECT?

These are important questions to answer about any citizen-consumer community problem.

X 65

Review Time

1. WHY TAXES?

TRUE	FALSE		
X		1.	Taxes are payments required of citizens to pay the price of governmental services.
X		2.	The income tax collection division of government is the IRS.
	X	3.	The imposing and collection of taxes is called fraud.
X		4.	Items such as highways, libraries, and police protection are services which are provided through taxes.
	X	5.	If a person dies, the taxes he owes the government are forgotten.

Give an example for each of the following federal budget categories:

ANSWERS WILL VARY, BUT COULD INCLUDE:

DIRECT BENEFIT PAYMENTS TO INDIVIDUALS	SOCIAL SECURITY & WELFARE
GRANTS TO STATES AND LOCALITIES	RESEARCH GRANTS
SOCIAL INSURANCE RECEIPTS	SOCIAL SECURITY PAYMENTS
EXCISE TAXES	TOBACCO & LIQUOR TAXES
OTHER RECEIPTS	OTHER PAYMENTS MADE TO THE GOVERNMENT BY INDIVIDUALS & BUSINESSES

Explain the difference between taxpayer negligence and taxpayer fraud.
Give examples of each. ANSWERS WILL VARY, BUT SHOULD INCLUDE:

(NEGLIGENCE: NEGLECTING TO PAY TAXES WITHOUT INTENT TO AVOID PAYING - SUCH AS NOT LISTING ONE SOURCE OF INCOME THROUGH AN OVERSIGHT)

(FRAUD: DELIBERATELY AVOIDING THE PAYING OF TAXES - SUCH AS FALSIFYING A RETURN.)

George Dawson represented one special group of taxpayers.
What other groups can you list who might experience difficulties?

ANSWERS WILL VARY BUT COULD INCLUDE:
SINGLE TAXPAYERS
DIVORCED HEADS OF HOUSEHOLDS
MINISTERS, ETC.

Use the federal budget illustration on page 11 to determine the expenditures in a $500 billion budget.

(For example: a 3¢ expenditure would mean $500 billion x .03 = $15 billion)

DIRECT BENEFIT PAYMENTS TO INDIVIDUALS: $195 BILLION

NATIONAL DEFENSE: $ 120 BILLION

GRANTS TO STATES AND LOCALITIES: $80 BILLION

INTEREST: $45 BILLION

How much of the federal budget does not purchase any services for the United States taxpayer? $45 BILLION
(Write your answer in figures: $45,000,000,000

HE TURNED ON THE LIGHT *(monthly utility tax, $3)*, GREETED HIS WIFE *(marriage license, $10)*, CHILDREN, AND FAMILY DOG *(license, $3)*. THE MORNING NEWSCASTER REPORTED THE STATE LEGISLATURE WAS CONSIDERING THE ADOPTION OF A STATE INCOME TAX OR AN INCREASE IN THE SALES TAX.

"OH WELL, SO IT GOES," HE THOUGHT. "I SUPPOSE I SHOULD CONSIDER MYSELF LUCKY--THERE AREN'T MANY STATES LEFT THAT DON'T HAVE A STATE INCOME TAX."

"I MIGHT AS WELL ENJOY MY BREAKFAST," *(sales tax on weekly grocery bill, $5)*.

TODAY IS PAY DAY *($333.23 tax, $114.99, FICA)*, AND THE CAR *(sales tax, $160)* PAYMENT IS DUE. TOMORROW IS THE FLIGHT TO A COMPANY CONFERENCE *(tax on air fare, $17.25)*.

ON THE WAY TO THE OFFICE, E. Z. STOPS FOR 5 GALLONS OF GASOLINE *($.11 per gallon in federal and state taxes)*, PAYS THE *$.20* TOLL, AND DECIDES HE AND HIS WIFE WILL SEE THE MOVIE *($.10 tax per ticket)* HE SEES ADVERTISED ON A HIGHWAY BILLBOARD.

ONLY A BLOCK FROM THE OFFICE HE IS STOPPED ON A ROUTINE CHECK AND DISCOVERS HIS DRIVER'S LICENSE *($12)* EXPIRED YESTERDAY.

AND SO IT GOES--E. Z. MARK HAS BEEN AWAKE FOR LESS THAN TWO HOURS . . .

Exercises

E. Z. Mark's story was about taxes. Show the total amount of taxes mentioned in each paragraph:

1. $ 816.40
2. 16.00
3. -0-
4. $ 5.00
5. $ 625.47
6. .95
7. 12.00
8. $ 1475.82
9. $ 1.65
10. $ .80

E. Z. Mark's total for the story:

Find the tax on 15 gallons of gasoline:

Find the total for tolls to and from the movie and 4 movie tickets:

x 68

.01 - .25 = 1¢
.26 - .50 = 2¢
.51 - .75 = 3¢
.76 -1.00 = 4¢

Example: Purchase $3.95

Purchase $3.95
Sales Tax .16
$4.11

3 x .04 = 12¢
95¢ = 4¢
16¢ sales tax

Find the tax and total costs for the following purchases:

Purchase	$13.45	$50.00	$3451.92
Tax Rate	4%	5%	3%
TAX	$ .05	$ 2.50	$ 103.56
TOTAL	$13.99	$52.50	$3555.48

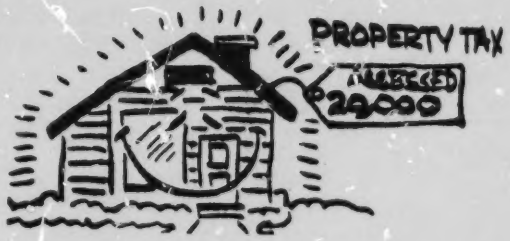
PURCHASE PRICE X SALES TAX RATE = SALES TAX

Property Tax

The amount of property tax a property owner owes is based on the value of his property.

Expressed in mills (1/10 cent), property tax bills are determined by simple multiplication:

PROPERTY VALUE X TAX RATE IN MILLS = PROPERTY TAX DUE



Example: Property valued at $10,000 with a 6 mill tax rate would have a tax bill of $60.

$10,000
.006
$60.000

Find the amount of property tax due for the following properties:

Property value	$15,000	$25,000	$54,000
Tax Rate in Mills	6	7	6.8
PROPERTY TAX DUE	$90	$175	$367.20

Complete the following chart for a newly married couple. They are both employed & expenses are given for the first year or marriage. Use 4% tax.

ITEM PURCHASED	RETAIL PRICE	SALES TAX
Clothing		
Husband	$ 250	$ 10
Wife	400	16
Stereo	230	9.20
Refrigerator	700	28
Color T.V.	450	18
Furniture	1100	44
Car	3400	136
Misc. purchases	1500	60
TOTAL	$ 8030	$ 321.20

Now compute the percentage of total annual income three different couples spent for sales taxes:

ANNUAL INCOME	SALES TAX	PERCENT OF TOTAL INCOME
$17,500	$320	2%
8,000	320	4%
40,800	320	0.8%

Circle the income of the couple for whom the sales tax paid was the greatest burden.

Property Tax

Property taxes are computed according to the assessed value of each parcel of real property in a community.

The tax rate is determined by dividing the amount to be raised by taxes by the total assessed value:

$$\frac{\text{Amount to be raised by taxes}}{\text{Total assessed value}} = \text{TAX RATE}$$

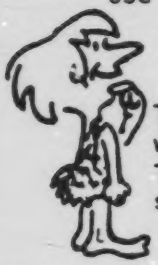
For example, in the town of Pleasant Hill:

$$\frac{\text{Amount to be raised by taxes}}{\text{Total assessed value}} = \frac{\$\ 50{,}000}{2{,}150{,}000} = .0232558 =$$

Total rate per each $1 of assessed valuation

which is stated at the rate per $1000 assessed valuation: .0232558 x 1,000 = $23.2558 per each $1,000 assessed valuation

Use the following information to determine (1) the tax rate for Snooterville
(2) the taxes owed on two pieces of property



The total assessed value of property in Snooterville is $2,000,000 where it is necessary to raise $60,000 of the budget by taxes. Two pieces of property in Snooterville have been assessed at $10,000 and $25,000.

(1)The tax rate in Snooterville would be $30 per $1000.

(2)The tax owed on the two pieces of property: * $300

$750

* Tax owed = Number of thousands of assessed valuation x tax rate
(Property assessed at $10,000 taxed at a 15.17841 rate would mean a tax bill of 10 x 15.17841 or $151.78)

Social Security The employee share of social security payments is currently 6.13%. This amount is withheld from the employee's pay.

Example: An employee with a monthly salary of $1,000.00 would have $61.30 withheld for social security or FICA.

$ 1000
x .0613
$61.30

Find the FICA deductions from the following employees' checks:

SALARY	FICA DEDUCTION
$600	$ 36.78
$1500	$ 91.95
$2500	$153.25

The rate for social security or FICA deductions is set annually by Congress. The informed citizen-consumer is aware of the status of both the percentage deducted and the amount above which no more deductions will be made.

Income Tax Federal income tax is withheld from the employee's pay according to the employee's status as declared on his W-2 Form (single or married), and according to tax tables provided in the IRS publication, *Circular E.*

Use the following tax table to determine the *Federal Withholding Tax* for each individual's check. The first one has been completed for you.

TABLE 4. MONTHLY Payroll Period

(a) SINGLE person—including head of household:

If the amount of wages is:		The amount of income tax to be withheld shall be:	
Not over $118		0	
Over—	But not over—		of excess over—
$118	—$275	15%	—$118
$275	—$567	$23.55 plus 18%	—$275
$567	—$850	$76.11 plus 21%	—$567
$850	—$1,183	$135.54 plus 26%	—$850
$1,183	—$1,433	$222.12 plus 30%	—$1,183
$1,433	—$1,875	$297.12 plus 34%	—$1,433
$1,875		$447.40 plus 39%	—$1,875

(b) MARRIED person—

If the amount of wages is:		The amount of income tax to be withheld shall be:	
Not over $200		0	
Over—	But not over—		of excess over—
$200	—$550	15%	—$200
$550	—$908	$52.50 plus 18%	—$550
$908	—$1,250	$116.94 plus 21%	—$908
$1,250	—$1,600	$188.76 plus 24%	—$1,250
$1,600	—$1,967	$272.76 plus 28%	—$1,600
$1,967	—$2,408	$375.52 plus 32%	—$1,967
$2,408		$516.64 plus 37%	—$2,408

Salary	Marital Status	Federal Withholding Tax
$600	Single	$ 83.04
$600	Married	61.50
$1500	Married	248.76
$2500	Single	691.15
$2500	Married	550.68

The rate for Federal Withholding Tax is also set annually by Congress. The informed citizen-consumer is aware of the fact that the deductions from his pay for this purpose may change. The table given in the illustration above is for the 1979 tax year.

Review Time

2 HERE A TAX

Choose the correct terms to complete each sentence:

federal	*lower*	*proportional*
FICA	*one-fourth*	*regressive*
general	*one-half*	*sales*
higher	*one-third*	*selective*
income	*progressive*	*social security*
local	*property*	*state*

1. The Federal Insurance Contributions Act established SOCIAL SECURITY.
2. A tax on goods and services is called a SALES tax.
3. A tax levied on real estate or personal property is called a PROPERTY tax.
4. A tax levied on the incomes of individuals, trusts, estates, and corporations is an INCOME tax.
5. The three levels on which taxes are paid are LOCAL, STATE, and FEDERAL.
6. The more services and benefits provided by government, the HIGHER the taxes become.
7. Tax payments require about 1/3 of the income of the typical individual in the United States.
8. The two types of sales tax are GENERAL and SELECTIVE.
9. The tax which provides the principal source of revenue for schools is the PROPERTY tax.

10. Taxes may be classified according to the effect the paying of taxes has on the spending power of an individual. These classifications are called PROPORTIONAL, PROGRESSIVE, and REGRESSIVE.

Happ Hazzard is single, earns $1800 per month, lives in a house assessed at $30,000 and just purchased a $5,600 car. Compute the following taxes:

Federal withholding tax	$ 421.90
FICA	$ 110.34
Property tax at 10 mills	$ 300.00
5% sales tax on his car	$ 280.00

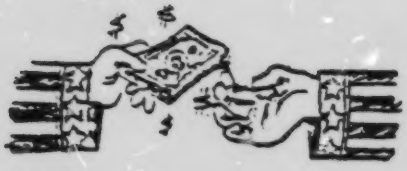
Give an example for each type of tax:

PROPORTIONAL	PROPERTY TAX
PROGRESSIVE	INCOME TAX
REGRESSIVE	SALES TAX

Discuss the effect of our current tax structure on three groups of citizens--the poor, the middle class, the wealthy. Include federal income tax, social security, property tax, and sales tax.
What *benefits* are provided by each tax?
What *burden* does each tax place on citizens in each group?

ANSWERS WILL VARY

Is it true that the United States has one of the lowest income tax systems in the world? YES



3. FORMS

WRITE THE NAME OF EACH FORM DESCRIBED BELOW:

1.	W-2	Statement of earnings and amounts withheld
2.	SS-5	Application for a social security number
3.	1040 A	Short form used when filing an individual income tax return.
4.	W-4	Form on which the number of personal exemptions claimed is written
5.	1040	Individual income tax return on which items are listed and individual deductions are itemized
6.	SS-5	Form used to replace a lost social security card
7.	W-2	Form which must be filed with an individual income tax return
8.	W-2	Form which is filed with the IRS by your employer
9.	SS-5	"FICA" form or application
10.	W-2	Form which includes employee's name, address, social security number, federal income tax withheld, total wages, FICA tax withheld, and the employer's name and address

Exercises

Use the "Who Must File?" table to see if you can determine the gross income which would qualify each of the following citizen-consumers as taxpayers.
The first one is done for you.

TAXPAYER	NECESSARY GROSS INCOME
1. Nancy is a student with no earned income.	$ 750
2. John is single, aged 23.	$ 2950
3. Happ and Ms. Happ are married, Happ is 67, Ms. Happ is 66, and they are filing a joint return.	$ 6200
4. Henry is a bachelor, aged 57.	$ 2950
5. Mr. & Mrs. E. Z. Go are filing a joint return. Mr. Go is 66, Mrs. Go is 64.	$ 5450

Even though you are not REQUIRED to file a return, according to the income guide provided by the IRS, you SHOULD file a return if:

(1) INCOME TAX WAS WITHHELD FROM YOU THAT YOU ARE ENTITLED TO GET BACK AS A REFUND

OR

(2) YOU ARE ELIGIBLE FOR AN EARNED INCOME CREDIT GRANTED THOSE TAXPAYERS RECEIVING LESS THAN A MINIMUM INCOME AS DEFINED BY THE IRS

Your return in either of these cases would be for the purpose of claiming a REFUND.

BEST COPY AVAILABLE

Form **1040A** Department of the Treasury—Internal Revenue Service
U.S. Individual Income Tax Return

Use IRS label. Otherwise, please print or type.

Your first name and initial (if joint return, also give spouse's name and initial): HAPP AND PRUDENCE
Last name: HAZZARD
Present home address (Number and street, including apartment number, or rural route): 66 SOMOLEON STREET
City, town or post office, State and ZIP code: ROCKLEDGE, WYKOTA 0001

Your social security number: 000 00 001
Spouse's social security no.: 000 00 002
Your occupation: CRANE OPERATOR
Spouse's occupation: CLERK

Do you want $1 to go to the Presidential Election Campaign Fund? X Yes ___ No
If joint return, does your spouse want $1 to go to the fund? ___ Yes X No
Note: Checking Yes will not increase your tax or reduce your refund.

For Privacy Act Notice, see page 5 of Instructions

Filing Status Check Only One Box

1 ___ Single
2 X Married filing joint return (even if only one had income)
3 ___ Married filing separate return. If spouse is also filing, give spouse's social security number in the space above and enter full name here ▶
4 ___ Unmarried head of household. Enter qualifying name ▶ See page 11 of Instructions.

Exemptions

Always check the box labeled Yourself. Check other boxes if they apply.

5a X Yourself ___ 65 or over ___ Blind
b X Spouse ___ 65 or over ___ Blind
c First names of your dependent children who lived with you ▶

d Other dependents: (1) Name	(2) Relationship	(3) Number of months lived in your home.	(4) Did dependent have income of $750 or more?	(5) Did you provide more than one-half of dependent's support?

Enter number of boxes checked on 5a and b ▶ 2
Enter number of children listed ▶
Enter number of other dependents ▶
Add numbers entered in boxes above ▶ 2

6 Total number of exemptions claimed

Please Attach Copy B of Forms W-2 Here

7 Wages, salaries, tips, and other employee compensation. (Attach Forms W-2. If you do not have a W-2, see page 7 of Instructions)	7	17,646	85
8 Interest income (see page 4 of Instructions)	8		
9a Dividends ___ 9b Exclusion ___ Subtract line 9b from 9a ▶ (See pages 4 and 8 of Instructions)	9		
10 Adjusted gross income (add lines 7, 8, and 9c). If under $8,000, see page 2 of Instructions on "Earned Income Credit." If eligible, enter child's name ▶	10	17,646	85
11a Credit for contributions to candidates for public office. Enter one-half of amount paid but do not enter more than $25 ($50 if joint return). (See page 8 of Instructions) 11a			
IF YOU WANT IRS TO FIGURE YOUR TAX, PLEASE STOP HERE AND SIGN BELOW.			
b Total Federal income tax withheld (if line 7 is larger than $17,700, see page 8 of Instructions) 11b		2055	
c Earned income credit (from page 2 of Instructions) 11c			
12 Total (add lines 11a, b, and c)	12	2,055	
13 Tax on the amount on line 10. (See Instructions for line 13 on page 9, then find your tax in the Tax Tables on pages 14–25.)	13	2,311	
14 If line 12 is larger than line 13, enter amount to be REFUNDED TO YOU ▶	14		
15 If line 13 is larger than line 12, enter BALANCE DUE. Attach check or money order for full amount payable to "Internal Revenue Service." Write social security number on check or money order ▶	15	256	

Please Attach Check or Money Order Here

Please Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Happ Hazzard — Your signature — 4/10/80 Date
Prudence Hazzard — Spouse's signature (if filing jointly, BOTH must sign even if only one had income) — 4/10/80

Paid Preparer's Information

Preparer's signature ▶ Preparer's social security no. Check if self-employed ▶ ☐
Firm's name (or yours, if self-employed), address and ZIP code ▶ E.I. No. ▶ Date ▶

☆ U.S. GOVERNMENT PRINTING OFFICE : 1978-O-283-232 56-045-1110

110 X 77

Form **1040A** (1978)

CHOOSE YOUR PREPARER CAREFULLY.
IF YOU PAY SOMEONE TO PREPARE YOUR RETURN, THE PREPARER IS REQUIRED, UNDER THE LAW, TO SIGN THE RETURN AND TO INCLUDE THE PROPER IDENTIFICATION NUMBER.
REMEMBER, HOWEVER, THAT YOU ARE STILL RESPONSIBLE FOR THE ACCURACY OF EVERY ITEM ENTERED ON YOUR RETURN. THEREFORE, YOU SHOULD EXERCISE CARE IN CHOOSING SOMEONE WHO IS BOTH KNOWLEDGEABLE IN TAX MATTERS AND SCRUPULOUS IN PREPARING A COMPLETE AND ACCURATE TAX RETURN.

-- *Publication 17*
Internal Revenue Service

"Why haven't you said anything about your income tax this year?"

Remember the importance of the April 15 filing date

Exercises

The seven types of tax help are:

1. IRS
2. Tax Services
3. Tax Clinics
4. Credit Unions
5. Enrolled Agents
6. CPAs
7. Attorneys

Write the correct number in front of each description:

1 The major source of free tax information and advice

3 Non-profit services for low-income taxpayers

5 Individuals who have passed difficult Treasury Department exams

2 Profit-making tax preparation services, some of which close up after April 15

6 Accountants who also prepare tax returns

Review Time

4. THIS IS THE WAY

MATCH THE TERMS WITH THE CORRECT DEFINITIONS:

1. D Credit
2. F Deductions
3. B Exemptions
4. A Liability
5. C Preparer

A. the amount of tax owed

B. standard amounts allowed for the taxpayer and his dependents as exempt from income taxes

C. one who completes an income tax return other than the individual taxpayer

D. amounts which are deducted directly from one's taxes

E. adjusted gross income

F. standard or itemized amounts which may be deducted from income in arriving at taxable income--such as sales tax, interest payments, charitable contributions

CHECK THE APPROPRIATE FORM FOR EACH TAXPAYER DESCRIBED:

1040	1040A	
___	X	6. A student with a summer job and no other income.
X	___	7. A couple with two children, a home on which they are making payments, interest from stocks and bonds, and parents to support
___	X	8. A retired couple whose home is paid for, living on social security with no other income

9. Give an example of a situation in which it would be necessary to file a return for a refund even though the individual did not meet the gross income requirements for filing a return.

STUDENT; LOW INCOME EMPLOYEE

10. Discuss: The IRS provides taxpayers with clear, concise directions for completing a Form 1040A Individual Income Tax Return.

ANSWERS WILL VARY

TRUE	FALSE		
___	X	11.	Enrolled agents are IRS employees.
X	___	12.	Income taxes have been a requirement of U. S. citizens since 1913.
X	___	13.	The correct form for most students or persons working on their first job is a 1040A.
X	___	14.	Your social security number is your taxpayer identification number.
___	X	15.	If you check "yes" for Presidential Campaign Fund, you will have $1 deducted from your refund or added to your taxes owed.

Discuss and list the ways you would improve the individual income tax system in the United States or express your support of the current system.

ANSWERS WILL VARY

80

5. WATCH OUT FOR...

Complete the following statements by writing the correct word in each blank:

1. Be sure to include your taxpayer identification or SOCIAL SECURITY number.
2. Attach all FORMS on the face or front of your return.
3. If it is necessary to send a check to IRS, be sure the check has your SOCIAL SECURITY number on it.
4. Use the correct tax TABLE or SCHEDULE to compute your tax.
5. The last item to complete on the tax form is one of the items most commonly missing when IRS checks returns. Be sure to SIGN and date your return.

Discuss: Should the IRS include a checklist for taxpayers to use before they mail their returns?

ANSWERS WILL VARY

Would you suggest a change in the order of the items on the return?

ANSWERS WILL VARY

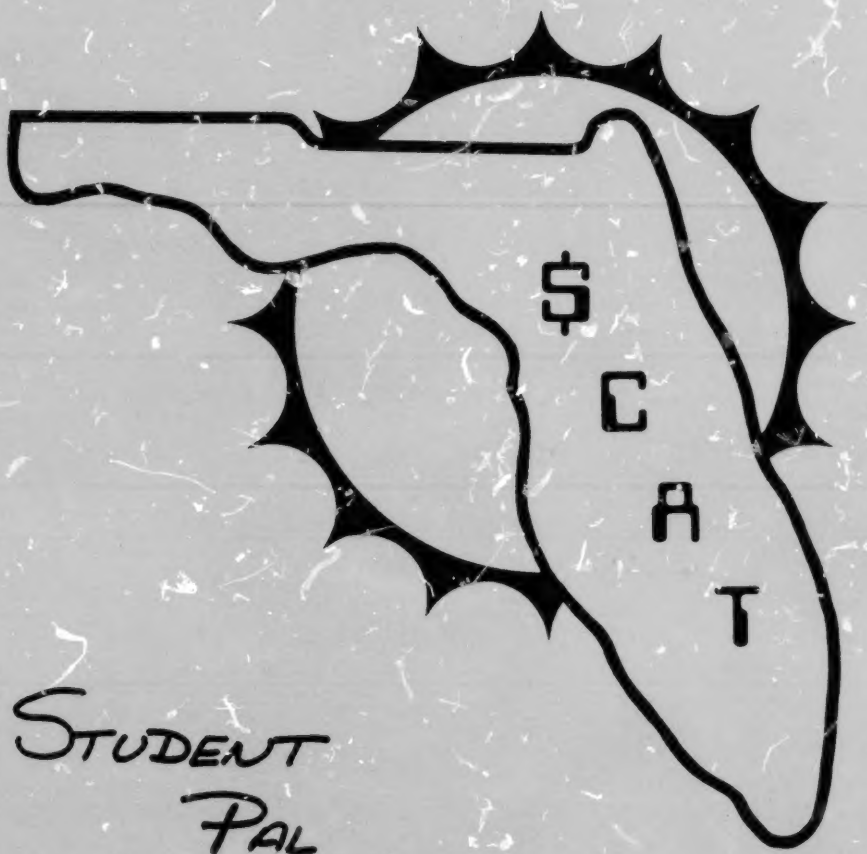
6. IT'S NOT ALL OVER YET!

Complete the following statements by writing the correct word in each blank:

1. A taxpayer's identification number is his SOCIAL SECURITY number.
2. The Internal Revenue Service Center to which you would send your return is located in ANSWERS WILL VARY.
3. Tapes for all taxpayer information is stored at the National Computer Center located in MARTINSBURG, WEST VIRGINIA.
4. It is wise to keep all records for at least 3 years.
5. Three reasons a taxpayer's return might be audited are:
   ANY THREE:
   OVERSTATE DEDUCTIONS
   MAKE AN ARITHMETIC ERROR
   HAVE UNUSUALLY LARGE DEDUCTIONS
   RESEARCH AUDIT

How long does it take for a tax return to be processed?
Does it take longer to receive a refund on a 1040 return or a 1040A?
Are returns prepared by commercial preparers processed more quickly and/or refunds made more quickly than those prepared by the taxpayer himself?
What is the difference for returns filed in January or February and those filed just before the April 15 deadline?
Is there a difference according to where the taxpayer lives?
Taxpayers have many such questions.
Make an informal survey and share the results.

ANSWERS WILL VARY



STUDENT PAL

CLASSROOM TEACHERS ARE AUTHORIZED TO
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MONEY MANAGEMENT
TAXES

AN OFFER YOU CAN'T AVOID

SKILLS for Consumers Applied Today

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Be it known that this consumer education instructional unit has not been endorsed by either the Florida Department of Education or the United States Office of Education; and that the points of view or opinions expressed do not necessarily represent the official policy of these agencies.

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W E L C O M E to this PAL*, a consumer resource booklet. The two characters shown on this page are the Hazzards -- Ms. Happ and Happ Hazzard. You will find them in many of the illustrations used throughout this booklet.

Important information is divided into chapters or sections. Each section begins with a title page and includes:

P A S S W O R D S which give the special meanings for the words used in that section.

R E V I E W T I M E exercises to determine what you have learned.

Have fun, study hard, and become a conscientious consumer.

*PAL: Packaged Activities for Learning

Users of the consumer skills presented in this resource booklet come in both genders, female and male. The text and dialogues sometimes say "he," sometimes "she," sometimes "you," sometimes "the person." Please feel free to substitute the feminine for the masculine pronoun, and vice versa, any time it is appropriate to your situation.

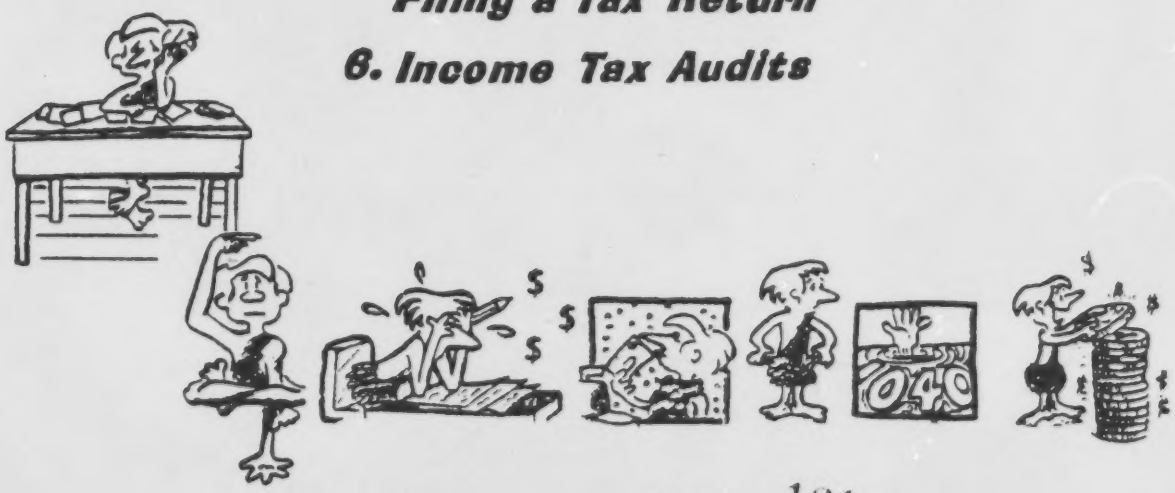
AN OFFER YOU Can't Avoid

TAXES ARE A RESPONSIBILITY OF AMERICAN CONSUMERS.

WE PAY TAXES TO PAY THE PRICE OF GOVERNMENT SERVICES.

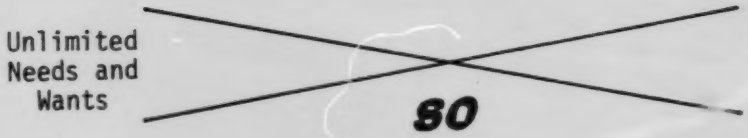
As you work through this PAL you will learn about:

1. ***Why We Have Taxes***
2. ***Kinds of Taxes***
3. ***Tax Forms***
4. ***How To Complete Tax Forms***
5. ***Things to Watch Out For in Filing a Tax Return***
6. ***Income Tax Audits***



We have all heard about taxes and we have all heard about SCARCITY. Since we have limited dollars and cents and unlimited needs and wants, we have a problem of Scarcity.

TAXES & SCARCITY



SO

We must carefully allocate our dollars and cents to best fulfill our needs and satisfy as many wants as we can.

HOWEVER

We control how we spend our personal dollars and cents--except for taxes.
By law, the government takes some of our limited resources to provide services for the good of all citizens.

Governments at the local, State, and Federal levels levy taxes and fees of various kinds to provide services of various kinds. This PAL will provide information on those taxes and services. But first, *WHAT ARE YOUR ATTITUDES TOWARD TAXES?*

Complete the following sentences:

1. *Income taxes are* _____
   _____.
2. *For my taxes, I want* _____
   _____.
3. *When it comes to taxes, politicians should* _____
   _____.
4. *Taxes on real estate property are* _____
   _____.
5. *When it comes to paying taxes, I* _____
   _____.

89122

✓ EACH DEFINITION WITH WHICH YOU AGREE:

TAXES

- ☐ *are what we pay for a civilized society.* **Oliver Wendell Holmes Jr.**
- ☐ *are direct levies on the income earned by individuals and corporations.*
- ☐ *provide schools, colleges, homes for children and the aged, protection of the environment, health services, social services, etc.*
- ☐ *are a necessary evil.*
- ☐ *serve two major purposes in the United States: a basic source of revenue for federal, state and local governments; a means of influencing the activity of the economy.*
- ☐ *are a compulsory contribution of money to be made to a government to provide for services for the common good.*
- ☐ *now account for the largest single bite out of the annual earnings of an individual.*

ALL OF THE ABOVE MAY BE TRUE--IT DEPENDS ON YOUR OWN TAX EXPERIENCES AND VIEWPOINT.

Taxes and Problems

The news media are full of stories about taxes, new and old. We hear people complain about paying taxes and we read stories about people who fail to pay their fair share of taxes. Taxes, it seems, are a PROBLEM.

What is a problem? Write your definition of PROBLEM:

_____

_____

Share your sentences with others if you wish.

More on Attitudes Toward Taxes

Select from the following list the response which best indicates your attitude toward each statement:

A = Agree D = Disagree N = No Opinion

___ 1. *Rich or poor, one should pay his taxes.*

___ 2. *Many of the best things in life come from tax dollars.*

___ 3. *A penny paid in taxes is a penny spent on the good of the community or nation.*

___ 4. *A person cannot be a good citizen unless she pays her taxes.*

___ 5. *Taxes are the root of all evil.*

___ 6. *Taxes are not among the delights of life.*

___ 7. *Of all debts, persons are least willing to pay taxes.*

___ 8. *Taxes are debts we pay to the community and nation which provide us with services and freedoms.*

___ 9. *Sales taxes are the best form of taxation.*

___ 10. *It is better to use hidden taxes (like those on gasoline and cigarettes) than taxes like income and sales taxes.*

If you wish, discuss your responses and your reasons with others. Get their positions and reasons as well. We might all learn something about our attitudes toward taxes.

1. WHY TAXES?

Please Attach Copy B of Forms W-2 Here
Attach Check or Money Order Here

Form 1040A — U.S. Individual Income Tax Return

Filing Status — Check Only One Box
1 Single
2 Married filing joint return (even if only one had income)
3 Married filing separate return. If spouse is also filing, give spouse's social security number above and enter full name here ▶
4 Unmarried head of household. Enter qualifying name ▶

Exemptions — Always check the box labeled Yourself. Check other boxes if they apply.
5a Yourself — 65 or over — Blind
b Spouse — 65 or over — Blind
c (1) Children who lived with you ▶ (2) Did you provide more than one-half of dependent's support?
d

6 Total number of exemptions claimed
7 Wages, salaries, tips, and other employee compensation. (Attach Forms W-2. If you do not have a W-2, see page 7 of Instructions)
8 Interest income (see page 4 of Instructions)
9a Dividends — 9b Exclusion — Subtract line 9b from 9a ▶
10 Adjusted gross income (add lines 7, 8, and 9c). If under $8,000, see page 2 of Instructions (See pages 4 and 8 of Instructions)
11a Credit for contributions to candidates for public office. Enter one-half of amount paid but do not enter more than $25 ($50 if joint return). (See page 8 of Instructions)
b Total Federal income tax withheld (if line 7 is larger than $17,700, see page 8 of Instructions)
c Earned income credit (from page 2 of Instructions)
12 Total (add lines 11a, b, and c)
13 Tax on the amount on line 10. (See Instructions for line 13 on page 9, then find your tax in the Tax Tables on pages 14–25.)
14 If line 12 is larger than line 13, enter amount to be REFUNDED TO YOU
15 If line 13 is larger than line 12, enter BALANCE DUE. Attach check or money order for full amount payable to "Internal Revenue Service." Write social security number on check or money order

IF YOU WANT IRS TO FIGURE YOUR TAX, PLEASE STOP HERE AND SIGN BELOW.

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

92 125 Date

Spouse's signature (if filing jointly)

Preparer's

For Privacy Act and Paperwork Reduction Act Notice, see page 5 of Instructions.

Cat. No. 11327A

Form 1040A (1992)

passwords ...

1. WHY TAXES?

BUDGET	A governmental agency's plan for spending
FRAUD	A statement made with the intent to deceive
IRS	The Internal Revenue Service; the Treasury Department's tax collection division
LEVY	The imposing and collecting of a tax or other payment
NEGLIGENCE	Carelessness; failure to exercise the standard of care expected of a reasonable person in such situations
SCARCITY	Deficiency; limited resources to purchase unlimited needs and wants
SERVICE	An activity which provides persons with basic needs, protection, etc.; education, police protection, utilities, etc.; provided for through taxation
TAX	A payment required of a citizen to pay the cost of government services
"UNCLE SAM"	An imaginary person representing the United States, characterized as a tall man with white chin whiskers, dressed in a red, white and blue costume

Ready to Move On ?

Do You Know the Passwords ?

Why?

WHY DO WE HAVE TAXES?

It appears to be the best method of paying for our governmental services.

Taxes, whether federal, state or local, pay for government services to society. These services may be characterized as:

L egal
I mportant
V ital
E ssential

WHY DO WE NEED TAXES?

To provide services to citizens.

Such services include:

Consumer protection
Education
Health & sanitation
Highways
Legal systems
Libraries
National defense
Police & fire protection
Postal services
Recreational facilities
Transportation
Utilities
Veteran benefits
Welfare

These are services which most people need, but which most individuals cannot afford to perform or purchase for themselves.

Could you do without these services?

Give and You Shall Receive

In one way or another we all seem to pay taxes. Tax payments are made to local, state, and federal governments. Think about the many services provided by government.

WHAT SERVICES DID YOU RECEIVE FROM GOVERNMENT LAST WEEK??

1. *Drove on streets, roads and highways.*
2.
3.
4.
5.
6. *Checked book out from library*
7.
8.
9.
10.
11.
12. *Education (my school)*

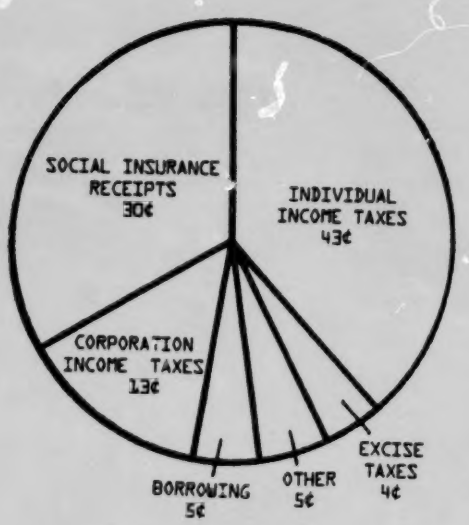
Discuss the level of government which provides these services: LOCAL, STATE, FEDERAL. Some services are provided by more than one level of government. (For example, state and federal money is used to build and maintain many highways.)

No 9523

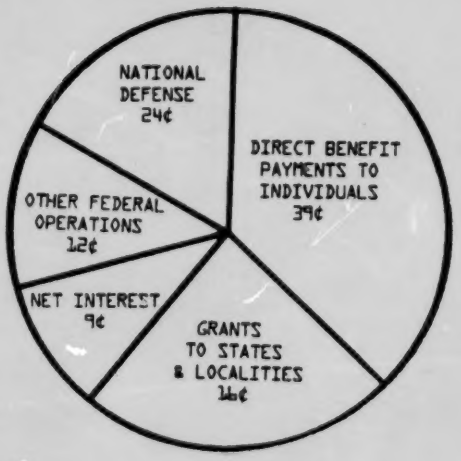
WHAT DOES IT ALL MEAN ? The illustration shows that for every dollar in the federal budget certain amounts are received from various sources and certain amounts are spent for particular services.

The American taxpayer has the right to know where his tax dollars go--what he has received for his money. Such information is public record. The illustration below shows the federal budget dollar for the 1980 fiscal year. Were you aware of the sources of federal dollars? Did you know how Uncle Sam spends your money?

THE FEDERAL BUDGET DOLLAR --



WHERE IT COMES FROM


NATIONAL DEFENSE 24¢
DIRECT BENEFIT PAYMENTS TO INDIVIDUALS 39¢
OTHER FEDERAL OPERATIONS 12¢
NET INTEREST 9¢
GRANTS TO STATES & LOCALITIES 16¢

WHERE IT GOES

WHERE IT COMES FROM shows individual income taxes as the greatest source of federal revenue. SOCIAL INSURANCE receipts are those payments made through social security and unemployment taxes. OTHER receipts are those from import duties and estate and gift taxes. EXCISE TAXES are those collected on gasoline, alcohol, and airport taxes.

WHERE IT GOES shows DIRECT BENEFIT PAYMENTS TO INDIVIDUALS as the greatest amount spent in the federal budget. These payments include such programs as Social Security, Unemployment, Medicare and Medicaid, Food Stamps and Housing. Many persons use the single term "Welfare" to describe these payments. NATIONAL DEFENSE includes the Department of Defense, the Atomic Energy Commission, and military retirement. GRANTS TO STATES & LOCALITIES are those for airports, highways, urban mass transit programs, natural resources, and environmental protection. OTHER FEDERAL OPERATIONS include Internal Revenue, medical research, the F.H.A., and foreign aid.

WHY DO WE PAY TAXES? *It's the law!*

Our federal income tax system is based on voluntary compliance--the willingness of most taxpayers to report their income, compute their tax properly, and pay their taxes voluntarily. *

* All W-2 Forms contain the line: "This information is being furnished to the Internal Revenue Service."

Paying Taxes

There are many motives for paying taxes. Talk to 20 people and you will hear various reasons for paying taxes beyond the basic reason that there are punishments for failing to pay!

Listed below are five LEVELS of reasons for paying taxes.

LEVEL 1 PAY TAXES TO AVOID PUNISHMENT FOR FAILURE TO PAY THEM.
"If I don't pay, I'll go to jail!"

LEVEL 2 PAY TAXES BECAUSE OF THE BENEFITS ONE GETS BACK FROM GOVERNMENT.
"My taxes pay my salary as a teacher."
"I pay gas taxes, and I get these good roads."

LEVEL 3 PAY TAXES TO AVOID THE DISAPPROVAL OF OTHERS WHOM I RESPECT.
"If I don't pay my taxes in Boston, they'll post my picture in city hall!"
"In my position, I cannot afford to fail to pay taxes, for it would embarrass me when friends found out."

LEVEL 4 PAY TAXES BECAUSE IT IS THE LAW, AND THAT LAW MAKES SENSE AND IS FAIR TO EVERYONE.
"We need the services of government and everyone pays a fair share for those services."
"We have always provided government services this way, and always paid through our taxes."

LEVEL 5 PAY TAXES AS A MATTER OF PERSONAL OBLIGATION TO THE COMMON GOOD (THE GENERAL WELFARE OF THE COMMUNITY AND NATION).
"Sure, I may not benefit directly from all government programs, but as a member of this community and as a citizen of the United States, I owe my tax money to programs which help others!"

Discuss the reasons for paying taxes with friends and relatives. See what LEVEL they use in answering the question. Which are, in your judgment, the better LEVELS of reasons for paying taxes? Why?

X 98

PENALTY!

READ & HEED:

THE IRS FINES OR LEVIES A PENALTY ON TAXPAYERS WHO ARE GUILTY OF

* FAILURE TO FILE A TAX RETURN
* FAILURE TO PAY TAX
* UNDERPAYMENT OF ESTIMATED TAXES
* NEGLIGENCE
* FRAUD

Federal penalties may be as high as 50% of the deficiency. The IRS expects voluntary compliance.

While the meanings of the failures listed above may be obvious to the average taxpayer, negligence and fraud may not be so obvious.

NEGLIGENCE is the "intentional disregard of rules and regulations, but without the intent to defraud."

FRAUD is willful deceit, trickery, or cheating.

TAXES THAT ARE OWED ARE TO BE PAID -- IF NOT BY THE TAXPAYER HIMSELF, THEN BY SOMEONE ELSE AFTER HIS DEATH.
TAX LIABILITIES DO NOT END WITH THE DEATH OF THE TAXPAYER.

What might the following diagram have to do with the meaning of the word PROBLEM?

REAL ⟵ ⟶ IDEAL

What might the following diagram have to do with the definition of the word PROBLEM?

WHERE WE ARE, WHAT'S GOING ON ⟵ ⟶ WHERE WE WANT TO BE

When people talk about THE TAX PROBLEM, or THE PROBLEM WITH TAXES, what could they mean? Write your ideas:

_____

_____

_____

Consumer-citizens do often have problems about taxes. They think taxes are too high, or too low. They think taxes are unfair, etc. But all consumer-citizens do not take effective action about these tax problems.

There are three types of consumer-citizen response to tax problems:

INACTIVE	REACTIVE	PROACTIVE
Consumer-citizen withdraws from facing problems with unfairness, etc., she feels about her own taxes. She just pays them and forgets it. Escapes. She doesn't worry about societal tax issues--she feels powerless to do anything about them anyway.	*Consumer-citizen just responds to her problems as she sees them. When something goes wrong, then she will get moving.*	*Consumer-citizen is concerned about issues involving tax policy: fairness of taxes, who pays taxes, etc. She participates in organizations helping to get good tax policies.*

Read the story of George Dawson. Decide whether or not he has a reasonable position. Then discuss the judgments of your parents and friends about persons in George's position.

GEORGE DAWSON WAS RETIRED AND LIVING ON A FIXED INCOME. EACH YEAR HIS PROPERTY TAXES WENT UP. NOW THE COSTS WERE MAKING LIVING DIFFICULT. HE WAS ALMOST ON THE VERGE OF HAVING TO SELL HIS $18,000 HOME--IN WHICH HE HAD LIVED FOR FIFTY YEARS. GEORGE THINKS THAT THE TAXES ARE UNFAIR. HE HAS PAID OVER THE YEARS FOR THE OLD SCHOOL BUILDINGS IN TOWN--THE SEWER SYSTEM--THE POLICE STATION--THE STREETS--THE OLD PARK DOWNTOWN--AND FOR OTHER SUCH IMPROVEMENTS. HE FEELS THAT THE NEW RESIDENTS--THE ONES WHO MAKE SEWER EXPANSION, NEW PARKS, NEW STREETS, ETC. NECESSARY--SHOULD BE PAYING MORE! HE THINKS THAT HE SHOULD BE PAYING LESS.

What would George Dawson do if he were an INACTIVE consumer-citizen? A REACTIVE consumer-citizen? A PROACTIVE consumer-citizen?

INACTIVE George: _____

_____

REACTIVE George: _____

_____

PROACTIVE George: _____

_____

Let's assume that George has decided to try to change the local tax laws. He feels that older citizens in long-established residential areas should get a tax break. He also feels that taxes and fees on housing in new developments around his home town should be increased. George can not do it alone. He will need friends and allies who have power (influence) on the government process. George needs to answer these questions:

1. WHAT INFORMATION AND SKILLS DOES GEORGE NEED?

   WHO HAS THE INFORMATION AND SKILLS?

2. WHAT WORK AND SUPPORT ARE REQUIRED?

   WHO HAS WORKERS AND SUPPORTERS FRIENDLY TO GEORGE'S PROJECT?

3. WHO ARE THE IMPORTANT LEADERS AND LEGITIMATIZERS IN GEORGE'S COMMUNITY?

   WHO AMONG THEM ARE FRIENDS OR CAN BE PERSUADED TO ENDORSE THE PROJECT?

These are important questions to answer about any citizen-consumer community problem.

1. WHY TAXES?

TRUE FALSE

____ ____ 1. Taxes are payments required of citizens to pay the price of governmental services.

____ ____ 2. The income tax collection division of government is the IRS.

____ ____ 3. The imposing and collection of taxes is called fraud.

____ ____ 4. Items such as highways, libraries, and police protection are services which are provided through taxes.

____ ____ 5. If a person dies, the taxes he owes the government are forgotten.

Give an example for each of the following federal budget categories:

DIRECT BENEFIT PAYMENTS TO INDIVIDUALS _____

GRANTS TO STATES AND LOCALITIES _____

SOCIAL INSURANCE RECEIPTS _____

EXCISE TAXES _____

OTHER RECEIPTS _____

Explain the difference between taxpayer negligence and taxpayer fraud.
Give examples of each.

_____

_____

_____

_____

_____

George Dawson represented one special group of taxpayers.
What other groups can you list who might experience difficulties?

_____

_____

_____

Use the federal budget illustration on page 11 to determine the expenditures in a $500 billion budget.

(For example: a 3¢ expenditure would mean $500 billion x .03 = $15 billion)

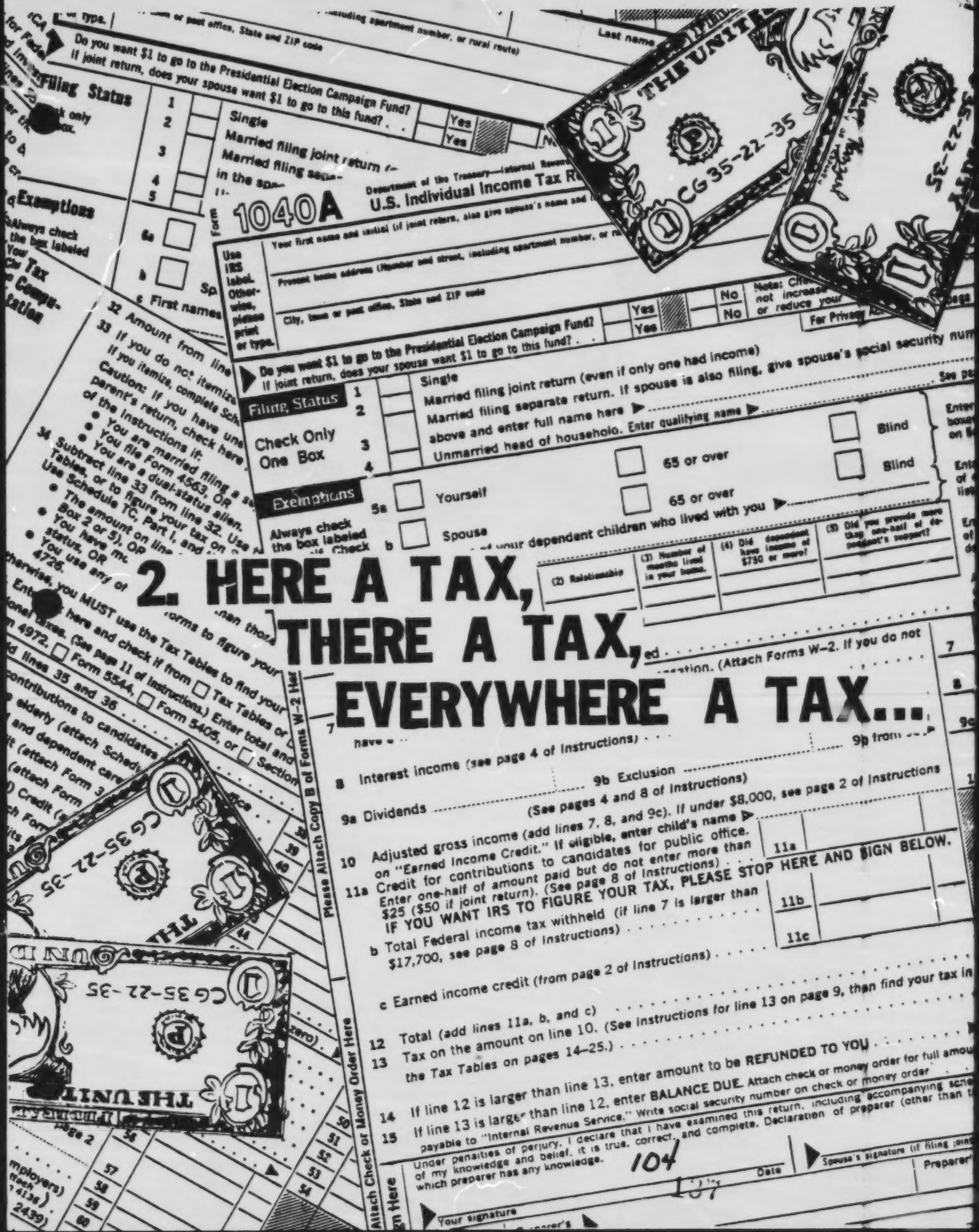
DIRECT BENEFIT PAYMENTS TO INDIVIDUALS: _____

NATIONAL DEFENSE: _____

GRANTS TO STATES AND LOCALITIES: _____

INTEREST: _____

How much of the federal budget does not purchase any services for the United States taxpayer? _____
(Write your answer in figures: _____


2. HERE A TAX,
THERE A TAX,
EVERYWHERE A TAX...
Form 1040A
U.S. Individual Income Tax R
Filing Status
Check Only One Box
Single
Married filing joint return (even if only one had income)
Married filing separate return. If spouse is also filing, give spouse's social security num
Unmarried head of household. Enter qualifying name
Exemptions
Always check the box labeled Yourself
Spouse
65 or over
Blind
Do you want $1 to go to the Presidential Election Campaign Fund?
If joint return, does your spouse want $1 to go to this fund?
Interest income (see page 4 of Instructions)
Dividends
Exclusion
Adjusted gross income (add lines 7, 8, and 9c). If under $8,000, see page 2 of Instructions
(See pages 4 and 8 of Instructions)
Credit for contributions to candidates for public office.
IF YOU WANT IRS TO FIGURE YOUR TAX, PLEASE STOP HERE AND SIGN BELOW.
Total Federal income tax withheld (if line 7 is larger than $17,700, see page 8 of Instructions)
Earned income credit (from page 2 of Instructions)
Total (add lines 11a, b, and c)
Tax on the amount on line 10. (See instructions for line 13 on page 9, then find your tax in the Tax Tables on pages 14–25.)
If line 12 is larger than line 13, enter amount to be REFUNDED TO YOU
If line 13 is larger than line 12, enter BALANCE DUE. Attach check or money order for full amou
payable to "Internal Revenue Service." Write social security number on check or money order
Under penalties of perjury, I declare that I have examined this return, including accompanying sche
of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than t
which preparer has any knowledge.
Please Attach Copy B of Forms W-2 Her
Attach Check or Money Order Here
Your signature
Spouse's signature (if filing joint
Preparer's
Date
104
THE UNITED STATES OF AMERICA
CG 35-22-35

passwords ...

2. HERE A TAX, THERE A TAX, EVERYWHERE A TAX...

FICA	*Federal Insurance Contributions Act--Social Security*
INCOME TAX	*A tax levied by the government on the incomes of individuals, trusts, estates, and corporations*
LEVEL OF GOVERNMENT	*Classification of government: local, state and federal*
PROGRESSIVE TAXES	*Taxes based on "the more you make, the more you pay" principle; high income earners have a larger fraction of their total income withheld than low income earners*
PROPERTY TAX	*A tax levied on real estate or any personal property that can be bought and sold*
PROPORTIONAL TAXES	*Taxes in which a single tax rate is applied; a tax which remains the same such as a 4% sales tax*
REGRESSIVE TAXES	*Taxes based on the same rate regardless of the level of one's taxable income; such taxes take a larger fraction of total income from low income earners than from high income earners*
SALES TAX	*A tax levied on goods and services*
SOCIAL SECURITY	*Payroll tax which provides retirement and medicare benefits*
SOCIAL SECURITY NUMBER	*A nine-digit identification number for social security purposes*

Ready to Move On ?

Do You Know the Passwords ?

Americans have been known to complain about taxes

> The payment of taxes is not one of the delights of our lives.
> To put it frankly, it's a pain in the pocketbook.

but it's only because Americans are so clever. We have thought of ways to tax nearly everything: what we own, what we spend, what we earn, and what we use. We have even been so clever at times as to tax ourselves on the right to vote.

Taxes are of many types and levels. Local, state, and federal taxes are needed and necessary to support the programs and services which these levels of government provide citizens. And if we are citizens, we cannot escape the impact of taxes on our daily lives as E. Z. Mark, Jr. learned one morning last week:

Here A Tax, There A Tax, Everywhere A Tax - - -

A Tale Of A Modern Taxpayer

E. Z. MARK, JR. REACHED FOR HIS SNOOPY ALARM *(sales tax, $.40)*, TURNED OVER IN HIS KING-SIZE BED *(sales tax, $16)* OF THE MASTER BEDROOM IN HIS SUBURBAN HOME *(property tax, $800)*, AND GLOOMILY GREETED A NEW WORK DAY.

HE TURNED ON THE LIGHT *(monthly utility tax, $3)*, GREETED HIS WIFE *(marriage license, $10)*, CHILDREN, AND FAMILY DOG *(license, $3)*. THE MORNING NEWSCASTER REPORTED THE STATE LEGISLATURE WAS CONSIDERING THE ADOPTION OF A STATE INCOME TAX OR AN INCREASE IN THE SALES TAX.

"OH WELL, SO IT GOES," HE THOUGHT. "I SUPPOSE I SHOULD CONSIDER MYSELF LUCKY--THERE AREN'T MANY STATES LEFT THAT DON'T HAVE A STATE INCOME TAX."

"I MIGHT AS WELL ENJOY MY BREAKFAST." *(sales tax on weekly grocery bill, $5)*.

TODAY IS PAY DAY *($333.23 tax, $114.99, FICA)*, AND THE CAR *(sales tax, $160)* PAYMENT IS DUE. TOMORROW IS THE FLIGHT TO A COMPANY CONFERENCE *(tax on air fare, $17.25)*.

ON THE WAY TO THE OFFICE, E. Z. STOPS FOR 5 GALLONS OF GASOLINE *($.11 per gallon in federal and state taxes)*, PAYS THE *$.20* TOLL, AND DECIDES HE AND HIS WIFE WILL SEE THE MOVIE *($.10 tax per ticket)* HE SEES ADVERTISED ON A HIGHWAY BILLBOARD.

ONLY A BLOCK FROM THE OFFICE HE IS STOPPED ON A ROUTINE CHECK AND DISCOVERS HIS DRIVER'S LICENSE *($12)* EXPIRED YESTERDAY.

AND SO IT GOES--E. Z. MARK HAS BEEN AWAKE FOR LESS THAN TWO HOURS . . .

Exercises

E. Z. Mark's story was about taxes. Show the total amount of taxes mentioned in each paragraph:

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____
7. _____

E. Z. Mark's total for the story: 8. _____

Find the tax on 15 gallons of gasoline: 9. _____

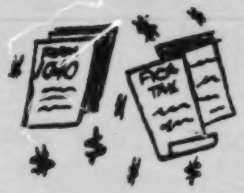
Find the total for tolls to and from the movie and 4 movie tickets: 10. _____

Let's take a closer look at the basic types of taxes we have mentioned:

Sales Tax

* a state tax on goods and services
* levied as a percentage of the sale price of items at the time of sale
* collected by the retailer & transferred to tax officials
* *GENERAL* sales tax on both commodities and services
* *SELECTIVE* sales taxes are taxes on luxuries, amusements, gasoline, etc.
* few people realize how much of their annual income actually is spent on sales tax

Income Tax



* Federal *INDIVIDUAL* income tax is based on one's taxable income (gross income minus deductions & exemptions)
* the federal government's largest source of revenue
* State *INDIVIDUAL* income tax is levied in many states
* *CORPORATION* income tax is similar to individual income tax, but with different regulations & rates
* It is possible to pay city individual income tax, state individual income tax, and Federal individual income tax, depending on where the taxpayer lives and is employed.

Property Tax

* a tax levied on real estate or any personal property that has value & can be bought & sold
* a tax based on the assumption that the ownership of property is an indication of the owner's ability to pay tax
* provides local governments with the majority of their revenue with which to pay employees' salaries, to purchase supplies & equipment, to pay the interest and/or principal on borrowed money, & to carry on the business of a city, town, or village
* principal source of revenue for local school support

*amount of tax to be levied determined by an estimate of expenditures & non-property tax revenue for a budget period. The difference between the estimated non-property tax revenues and the expenditures is the amount of property tax needed.
*real property: land, buildings, & other things permanently attached to the land
*personal property: tangible & intangible
  *tangible--things capable of physical possession such as automobiles, boats, television sets, record players, household furnishings
  *intangible--stocks, bonds, mortgages, & notes held by the taxpayer

Social Security

* *FICA* (Federal Insurance Contributions Act)
* payroll tax begun in 1935
* based on the principle that workers usually purchase insurance, and that a tax on earnings would be an appropriate premium
* provides security for retirement and medicare
* tax revenues taken out of paychecks of working people in order to provide funds for those members of society who need income and cannot work
* employee and employer both contribute
* employer is liable for the collection & payments of tax withheld from the employee's wages in much the same manner as is income tax
* collected on the employee's wages until the wages exceed the limit set by Congress for that year

TWO OF THESE TAXES WHICH THE CONSUMER CAN EASILY COMPUTE FOR HIMSELF ARE THE SALES TAX AND PROPERTY TAX.

TRY YOUR HAND AT FIGURING SOME TAX PROBLEMS:

Sales Tax

Clerks use Sales Tax Tables to determine sales tax at the point of purchase.

When the consumer needs to know how much sales tax will be added to his purchase, however, he needs to compute it.

If he needs only an approximate amount, he can simply multiply the number of dollars times the tax ($3 x 4% = 12¢).

If he needs the exact amount which will be charged in sales tax, he multiplies the number of whole dollars times the sales tax written as a decimal and uses the local guide for fractions of a dollar for the cents.

.01 - .25 = 1¢
.26 - .50 = 2¢
.51 - .75 = 3¢
.76 -1.00 = 4¢

Example: Purchase $3.95

Purchase $3.95
Sales Tax .16
$4.11

3 x .04 = 12¢
95¢ = 4¢
16¢ sales tax

Find the tax and total costs for the following purchases:

Purchase	$13.45	$50.00	$3451.92
Tax Rate	4%	5%	3%
TAX	_____	_____	_____
TOTAL	_____	_____	_____

PURCHASE PRICE X SALES TAX RATE = SALES TAX

Property Tax

The amount of property tax a property owner owes is based on the value of his property.

Expressed in mills (1/10 cent), property tax bills are determined by simple multiplication:

PROPERTY VALUE X TAX RATE IN MILLS = PROPERTY TAX DUE

Example: Property valued at $10,000 with a 6 mill tax rate would have a tax bill of $60.

$10,000
.006
$60.000

Find the amount of property tax due for the following properties:

Property Value	$15,000	$25,000	$54,000
Tax Rate in Mills	6	7	6.8
PROPERTY TAX DUE	_____	_____	_____

Taxes may be classified in at least two different ways: by the TYPE OF TAX or by the LEVEL OF GOVERNMENT which levies the tax.

Taxes are paid on three LEVELS: local (city or county), state, and federal. Programs on these three levels are primarily supported by PROPERTY TAX on the local level, SALES TAX on the state level, and INCOME TAX on the federal level. This is not to say that in many areas the same type tax may not be charged on different levels such as federal, state, and even city income tax; and both state and local sales taxes.

Examine the following chart:

TYPE OF TAX	LEVEL OF GOVERNMENT
USER TAXES	
SALES & USE	STATE; LOCAL
MOTOR FUEL	FEDERAL; STATE
CIGARETTES	FEDERAL; STATE; CITY
MOTOR VEHICLE	STATE
ALCOHOL	FEDERAL; STATE
HIGHWAY USE	FEDERAL; STATE
PERSONAL INCOME	FEDERAL; STATE; CITY
REAL PROPERTY (REAL ESTATE)	LOCAL
SOCIAL SECURITY	FEDERAL

* *

THE AVERAGE AMERICAN'S SALARY FROM JANUARY 1 TO MAY 11 (131 DAYS) IS REQUIRED TO PAY TAXES TO THE THREE LEVELS OF GOVERNMENT.
PUT ANOTHER WAY, 2 HOURS AND 52 MINUTES OF EVERY 8-HOUR WORK DAY IS FOR TAXES.

-- Robert R. Stratham
U. S. Chamber of Commerce

* *

Why so many different taxes? Different taxes pay for different services. It is also easier to collect smaller amounts from many sources than large amounts from few sources. Of course history played an important role in the development of your tax systems.

Property taxes became an early revenue source because it was felt that property ownership was a good measure of wealth. Later, *income* was thought to be a better indicator of a person's ability to pay. People who earned more money could afford to pay more taxes, it was felt. *User taxes* (sales tax, cigarette tax, gasoline tax, etc.) are a direct charge on the one who consumes the products. Such taxes have usually been easy to collect.

* *

TAX FACTS

1. Taxation is a plan by which funds are raised to pay the costs of operating local, state, and federal governments.

2. The more services & benefits provided by government, the higher taxes become.

3. The tax each individual should pay must be determined by a formula or rule, not arbitrarily.

4. Governments are the only agencies with the power & right to tax.

5. Taxation plans are based on fairness to the taxpayer, cost of service given, benefit from the service, and ability to pay.

6. Tax payments require about 1/3 of the income of the typical individual. Every individual has a vital stake in taxes.

* *

Tax Exercises

Sales Tax We all pay sales tax, but how many of us realize how much of our income really is spent for these taxes?

Complete the following chart for a newly married couple. They are both employed & expenses are given for the first year or marriage. Use 4% tax.

ITEM PURCHASED	RETAIL PRICE	SALES TAX
Clothing		
Husband	$ 250	$ _____
Wife	400	_____
Stereo	230	_____
Refrigerator	700	_____
Color T.V.	450	_____
Furniture	1100	_____
Car	3400	_____
Misc. purchases	1500	_____
TOTAL	$ _____	$ _____

Now compute the percentage of total annual income three different couples spent for sales taxes:

ANNUAL INCOME	SALES TAX	PERCENT OF TOTAL INCOME
$17,500	$320	_____
8,000	320	_____
40,800	320	_____

Circle the income of the couple for whom the sales tax paid was the greatest burden.

Property Tax

Property taxes are computed according to the assessed value of each parcel of real property in a community.

The tax rate is determined by dividing the amount to be raised by taxes by the total assessed value:

$$\frac{\text{Amount to be raised by taxes}}{\text{Total assessed value}} = \text{TAX RATE}$$

For example, in the town of Pleasant Hill:

$$\frac{\text{Amount to be raised by taxes}}{\text{Total assessed value}} = \frac{\$\ 50{,}000}{2{,}150{,}000} = .0232558 =$$

Total rate per each $1 of assessed valuation

which is stated at the rate per $1000 assessed valuation: .0232558 x 1,000 = $23.2558 per each $1,000 assessed valuation

Use the following information to determine (1) the tax rate for Snooterville
(2) the taxes owed on two pieces of property

The total assessed value of property in Snooterville is $2,000,000 where it is necessary to raise $60,000 of the budget by taxes. Two pieces of property in Snooterville have been assessed at $10,000 and $25,000.

(1)The tax rate in Snooterville would be _____.

(2)The tax owed on the two pieces of property: * _____

_____

* Tax owed = Number of thousands of assessed valuation x tax rate
(Property assessed at $10,000 taxed at a 15.17041 rate would mean a tax bill of 10 x 15.17841 or $151.78)

Social Security

The employee share of social security payments is currently 6.13%. This amount is withheld from the employee's pay.

Example: An employee with a monthly salary of $1,000.00 would have $61.30 withheld for social security or FICA.

$$\begin{array}{r} \$\ 1000 \\ x\ .0613 \\ \hline \$61.30 \end{array}$$

Find the FICA deductions from the following employees' checks:

SALARY	FICA DEDUCTION
$600	_____
$1500	_____
$2500	_____

The rate for social security or FICA deductions is set annually by Congress. The informed citizen-consumer is aware of the status of both the percentage deducted and the amount above which no more deductions will be made.

Income Tax Federal income tax is withheld from the employee's pay according to the employee's status as declared on his W-2 Form (single or married), and according to tax tables provided in the IRS publication, *Circular E.*

Use the following tax table to determine the *Federal Withholding Tax* for each individual's check. The first one has been completed for you.

TABLE 4. MONTHLY Payroll Period

(a) SINGLE person—including head of household:

If the amount of wages is:		*The amount of income tax to be withheld shall be:*	
Not over $118		0	
Over—	*But not over—*		*of excess over—*
$118	—$275	15%	—$118
$275	—$567	$23.55 plus 18%	—$275
$567	—$850	$76.11 plus 21%	—$567
$850	—$1,183	$135.54 plus 26%	—$850
$1,183	—$1,433	$222.12 plus 30%	—$1,183
$1,433	—$1,875	$297.12 plus 34%	—$1,433
$1,875		$447.40 plus 39%	—$1,875

(b) MARRIED person—

If the amount of wages is:		*The amount of income tax to be withheld shall be:*	
Not over $200		0	
Over—	*But not over—*		*of excess over—*
$200	—$550	15%	—$200
$550	—$908	$52.50 plus 18%	—$550
$908	—$1,250	$116.94 plus 21%	—$908
$1,250	—$1,600	$188.76 plus 24%	—$1,250
$1,600	—$1,967	$272.76 plus 28%	—$1,600
$1,967	—$2,408	$375.52 plus 32%	—$1,967
$2,408		$516.64 plus 37%	—$2,408

Salary	Marital Status	Federal Withholding Tax
$600	Single	$ _____
$600	Married	_____
$1500	Married	_____
$2500	Single	_____
$2500	Married	_____

The rate for Federal Withholding Tax is also set annually by Congress. The informed citizen-consumer is aware of the fact that the deductions from his pay for this purpose may change. The table given in the illustration above is for the 1979 tax year.

EVALUATING TAXES

One means of evaluating taxes according to type is with the use of the *PROPORTIONAL, PROGRESSIVE, REGRESSIVE* classifications.

PROPORTIONAL taxes are taxes in which a single tax rate is applied to a given tax base. The tax remains the same even when the base increases or decreases. Examples of proportional taxes are sales, excise, property, gasoline, and custom duties.

PROGRESSIVE taxes take a progressively larger fraction of total income from high income earners than from low income earners. Personal income and inheritance, estate & gift taxes are progressive taxes.

REGRESSIVE taxes take a larger fraction of total income from low income earners than from high income earners. A sales tax may be regressive in that it is a greater burden for low-income persons to pay sales tax on necessities than for high-income persons to pay the same amount. Because of their regressive effect, necessities such as food and medicine are usually exempted from the sales tax law. Taxes which have a regressive effect are sales, excise, property, gasoline, and social security.

Note that *PROPORTIONAL* and *PROGRESSIVE* refer to the method in which taxes are levied. *REGRESSIVE* refers to the effect a particular tax has on an individual's spending power.

An American and a Dutchman were talking.
"What does your flag look like?" asked the American.
"It has three stripes," replied the Dutchman, "red, white, and blue. We say they have a connection with our taxes--we get red when we talk about them, white when we get our tax bills, and we pay them 'till we are blue in the face."
"That's just how it is here," replied the American, "only we see stars, too."

Personal evaluations of taxes in the United States include statements such as:

"Federal taxes are o.k. In fact, they should be raised to include national health insurance."

"I'd like to see property taxes reduced. Everyone has a right to a home. It just should not be taxed so heavily."

"We pay taxes to educate other people's children and to support people who won't work. Is that fair?"

"Simplify personal income tax. The employer should just withhold 10% of every employee's income. No exemptions, no deductions, no IRS!"

Taxes are *FAIR* if they meet the criteria of *equality*, *certainty*, *convenience*, and *economy*. According to Adam Smith in his *The Wealth of Nations*, published in 1776, these criteria meant:

1. EQUALITY--OR EQUITY--IN THE SENSE THAT EACH TAXPAYER PAYS IN SOME FAIR PROPORTION TO INCOME RECEIVED.

2. CERTAINTY--OR PREDICTABILITY--WHEREBY EACH TAXPAYER KNOWS IN ADVANCE JUST WHEN, WHERE, AND HOW THE TAX WILL BE IMPOSED.

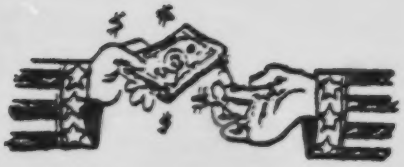
3. CONVENIENCE OF PAYMENT--IF PAY ONE MUST, MAKE IT AS EASY AND TROUBLE-FREE AS POSSIBLE FOR ONE TO DO SO.

4. ECONOMY IN COLLECTION--FOR THE TAXING AUTHORITY.

Think of the KINDS of taxes. How do SALES TAX, INCOME TAX, PROPERTY TAX and SOCIAL SECURITY meet or fail to meet the criteria of a *FAIR* tax?

Critics of our present tax systems have suggested alternative tax systems such as a value-added tax which is common in European countries, a federal sales tax, or a single federal income tax. All of these alternatives have areas in which they do not meet the criteria of a fair tax, but so do many of our current taxes.

Can you suggest some other alternatives?



2. HERE A TAX

Choose the correct terms to complete each sentence:

federal	*lower*	*proportional*
FICA	*one-fourth*	*regressive*
general	*one-half*	*sales*
higher	*one-third*	*selective*
income	*progressive*	*social security*
local	*property*	*state*

1. The Federal Insurance Contributions Act established _____ _____.
2. A tax on goods and services is called a _____ tax.
3. A tax levied on real estate or personal property is called a _____ _____ tax.
4. A tax levied on the incomes of individuals, trusts, estates, and corporations is an _____ tax.
5. The three levels on which taxes are paid are _____, _____, and _____.
6. The more services and benefits provided by government, the _____ the taxes become.
7. Tax payments require about _____ of the income of the typical individual in the United States.
8. The two types of sales tax are _____ and _____.
9. The tax which provides the principal source of revenue for schools is the _____ tax.

10. Taxes may be classified according to the effect the paying of taxes has on the spending power of an individual. These classifications are called _____, _____, and _____.

Happ Hazzard is single, earns $1800 per month, lives in a house assessed at $30,000 and just purchased a $5,600 car. Compute the following taxes:

Federal withholding tax _____

FICA _____

Property tax at 10 mills _____

5% sales tax on his car _____

Give an example for each type of tax:

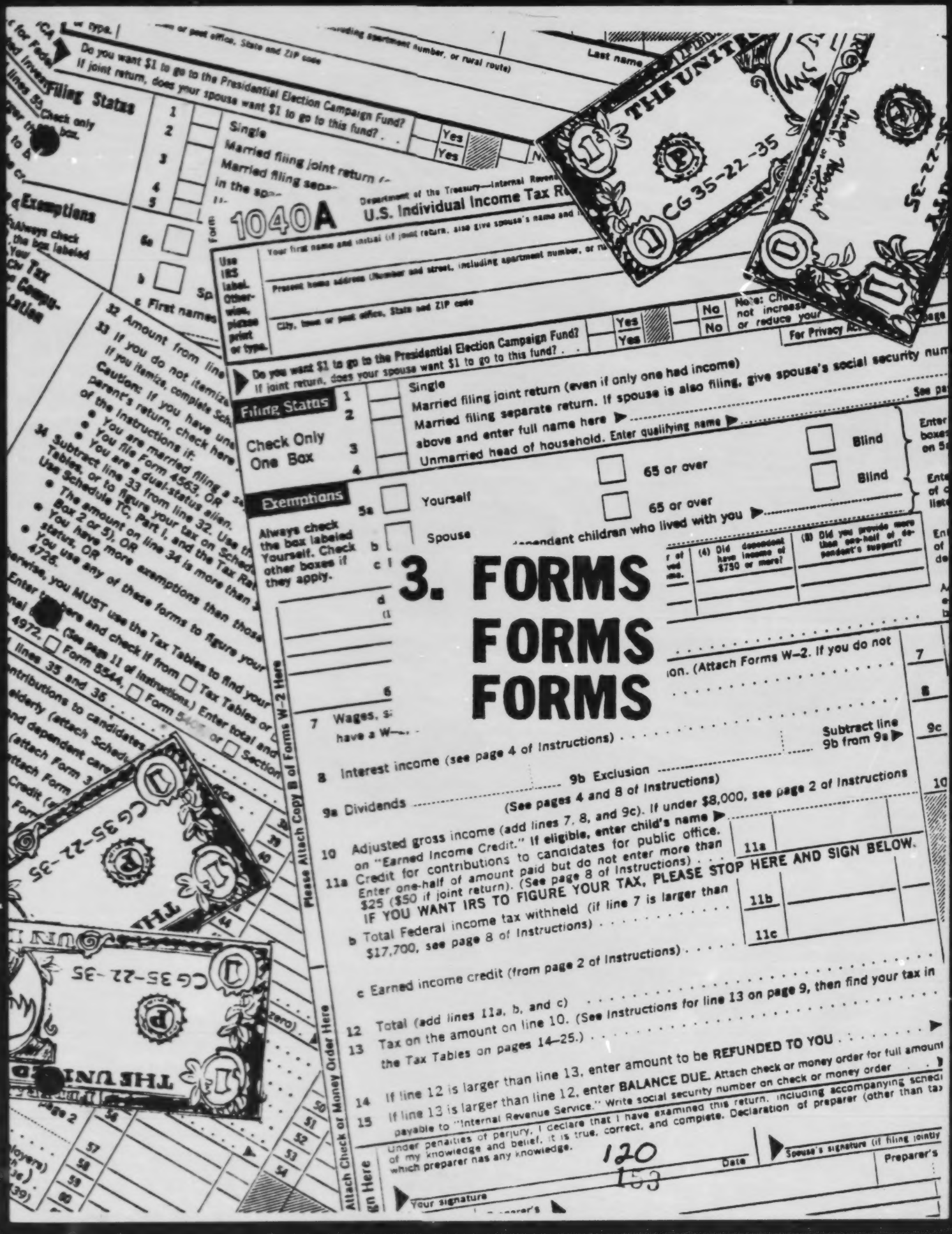
PROPORTIONAL _____

PROGRESSIVE _____

REGRESSIVE _____

Discuss the effect of our current tax structure on three groups of citizens--the poor, the middle class, the wealthy. Include federal income tax, social security, property tax, and sales tax.
What *benefits* are provided by each tax?
What *burden* does each tax place on citizens in each group?

Is it true that the United States has one of the lowest income tax systems in the world?



3. FORMS FORMS FORMS

Do you want $1 to go to the Presidential Election Campaign Fund?
If joint return, does your spouse want $1 to go to this fund? . .

Yes
Yes

Filing Status

Check Only One Box

1 Single
2 Married filing joint return (even if only one had income)
3 Married filing separate return. If spouse is also filing, give spouse's social security num
4 Unmarried head of household. Enter qualifying name ▶

Exemptions

Always check the box labeled Yourself. Check other boxes if they apply.

5a Yourself — 65 or over — Blind
b Spouse — 65 or over — Blind
c dependent children who lived with you ▶

(4) Did dependent have income of $750 or more?	(5) Did you provide more than one-half of dependent's support?

Please Attach Copy B of Forms W-2 Here

7 Wages, s… have a W-… ion. (Attach Forms W-2. If you do not . . . 7

8 Interest income (see page 4 of Instructions) . . . 8

9a Dividends — 9b Exclusion — Subtract line 9b from 9a ▶ 9c

(See pages 4 and 8 of Instructions)

10 Adjusted gross income (add lines 7, 8, and 9c). If under $8,000, see page 2 of Instructions on "Earned Income Credit." If eligible, enter child's name ▶ 10

11a Credit for contributions to candidates for public office. Enter one-half of amount paid but do not enter more than $25 ($50 if joint return). (See page 8 of Instructions) . . . 11a

IF YOU WANT IRS TO FIGURE YOUR TAX, PLEASE STOP HERE AND SIGN BELOW.

b Total Federal income tax withheld (if line 7 is larger than $17,700, see page 8 of Instructions) . . . 11b

c Earned income credit (from page 2 of Instructions) . . . 11c

12 Total (add lines 11a, b, and c) . . .

13 Tax on the amount on line 10. (See Instructions for line 13 on page 9, then find your tax in the Tax Tables on pages 14–25.) . . . ▶

14 If line 12 is larger than line 13, enter amount to be REFUNDED TO YOU . . . ▶

15 If line 13 is larger than line 12, enter BALANCE DUE. Attach check or money order for full amount payable to "Internal Revenue Service." Write social security number on check or money order . . . ▶

Attach Check or Money Order Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedu of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than ta which preparer has any knowledge.

Sign Here

Your signature — Date — Spouse's signature (if filing jointly) — Preparer's

120
153

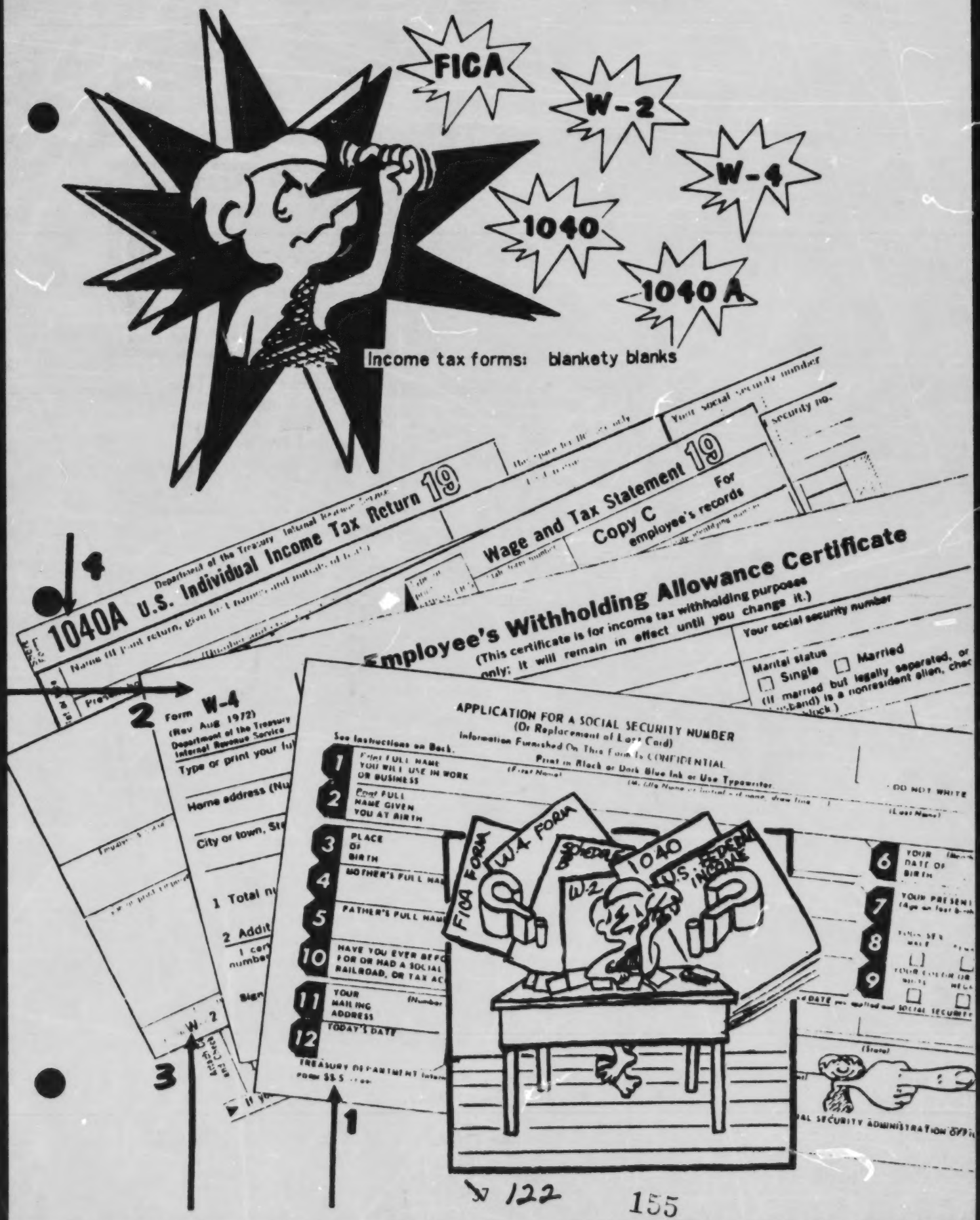
passwords ...

3. FORMS FORMS FORMS

SS-5	Application for a Social Security Number form
1040	U. S. Individual Income Tax Return form
1040A	U. S. Individual Income Tax Return--Short Form
W-2	Wage and Tax Statement form
W-4	Employee's Withholding Allowance Certificate form
WITHHOLDING TAX	The amount of income tax paid by employees through the employer's withholding of part of their wages or salaries

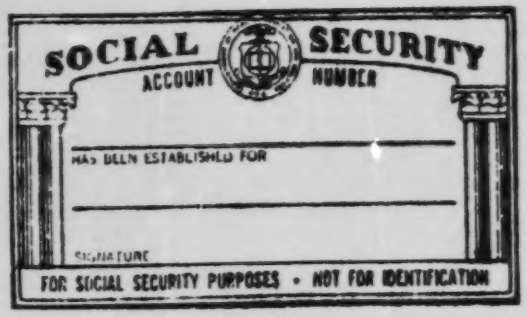
Ready to Move On ?

Do You Know the Passwords ?

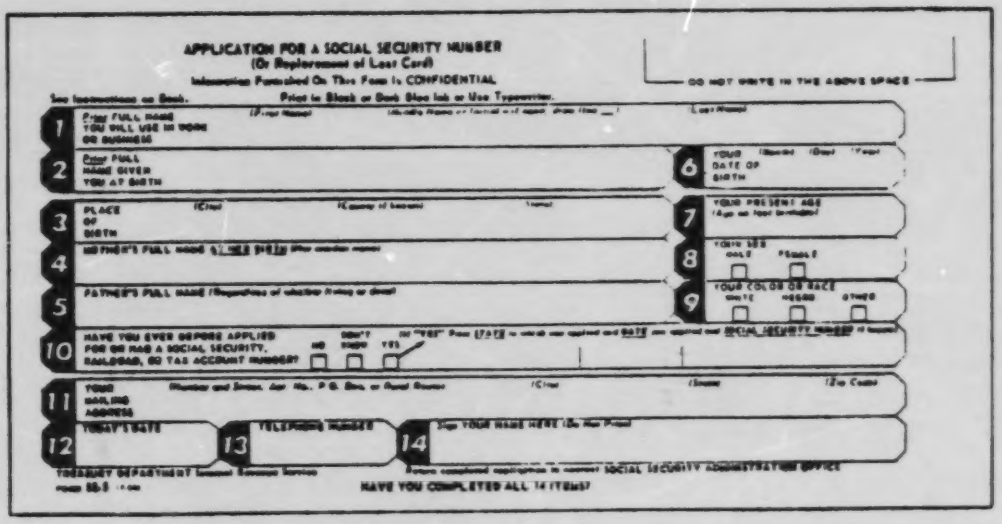

FICA
W-2
W-4
1040
1040A
Income tax forms: blankety blanks
1040A U.S. Individual Income Tax Return 19
Wage and Tax Statement 19
Copy C
For employee's records
Employee's Withholding Allowance Certificate
(This certificate is for income tax withholding purposes only; it will remain in effect until you change it.)
Your social security number
Marital status
Single
Married
Form W-4
(Rev Aug 1972)
Department of the Treasury
Internal Revenue Service
APPLICATION FOR A SOCIAL SECURITY NUMBER
(Or Replacement of Lost Card)
Information Furnished On This Form Is CONFIDENTIAL
See Instructions on Back.
Print or Type
Print in Black or Dark Blue Ink or Use Typewriter
DO NOT WRITE
1 PRINT FULL NAME YOU WILL USE IN WORK OR BUSINESS
2 PRINT FULL NAME GIVEN YOU AT BIRTH
3 PLACE OF BIRTH
4 MOTHER'S FULL NAME
5 FATHER'S FULL NAME
6 YOUR DATE OF BIRTH
7 YOUR PRESENT
8
9
10 HAVE YOU EVER BEEN ASSIGNED A SOCIAL SECURITY NUMBER? IF YES, ENTER NUMBER IF KNOWN
11 YOUR MAILING ADDRESS
12 TODAY'S DATE
TREASURY DEPARTMENT
FORM SS-5
DATE you signed
SOCIAL SECURITY
(State)
SOCIAL SECURITY ADMINISTRATION
FICA FORM
W-4 FORM
1040
W-2
U.S. FEDERAL INCOME
1
2
3
4

1. *Social Security* SS-5 Application for a Social Security Number

DO YOU HAVE THIS CARD ?!?



If not, SS-5 is the proper form for making application. One of the first steps upon joining the ranks of the employed is to obtain a social security card if you do not already have one. Social security cards are becoming such a necessity that it is being suggested each person be given a social security number *at birth*.


APPLICATION FOR A SOCIAL SECURITY NUMBER
(Or Replacement of Lost Card)
Information Furnished On This Form Is CONFIDENTIAL
See instructions on Back. Print in Black or Dark Blue Ink or Use Typewriter.
DO NOT WRITE IN THE ABOVE SPACE
1 Enter FULL NAME YOU WILL USE IN WORK OR BUSINESS
2 Enter FULL NAME GIVEN YOU AT BIRTH
3 PLACE OF BIRTH
4 MOTHER'S FULL MAIDEN NAME
5 FATHER'S FULL NAME
6 YOUR DATE OF BIRTH
7 YOUR PRESENT AGE
8 YOUR SEX
9 YOUR COLOR OR RACE
10 HAVE YOU EVER BEFORE APPLIED FOR OR HAD A SOCIAL SECURITY, RAILROAD, OR TAX ACCOUNT NUMBER?
11 YOUR MAILING ADDRESS
12 TODAY'S DATE
13 TELEPHONE NUMBER
14 SIGN YOUR NAME HERE
TREASURY DEPARTMENT Internal Revenue Service
HAVE YOU COMPLETED ALL 14 ITEMS?

There are two important uses for your social security number:

1. The Social Security Administration uses it to keep a record of lifetime earnings on which to pay social security tax for old-age & survivors insurance.

2. The IRS uses it as your "taxpayer identification number" on all returns, statements, & other documents filed with IRS.

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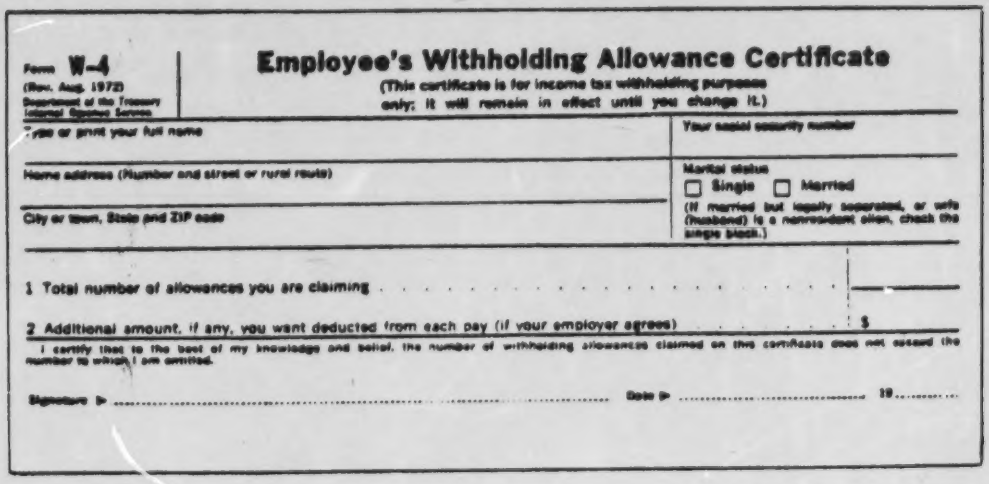
Your 9-digit social security number is an extremely important *unique* number--it identifies you--no one else is issued the same number.

2. Withholding Tax W-4 Employee's Withholding Allowance Certificate

Income tax is withheld from each employee's salary according to withholding tables prepared by the federal government.

Based on income and the number of exemptions claimed on the W-4 on file with the employer, a specific amount will be withheld from each check to cover the "pay-as-you-go" expenses of the employee for federal income tax.

A new W-4 Form should be filled out each time an employee begins work for a new employer.



Form **W-4**
(Rev. Aug. 1972)
Department of the Treasury
Internal Revenue Service

Employee's Withholding Allowance Certificate
(This certificate is for income tax withholding purposes only; it will remain in effect until you change it.)

Type or print your full name

Your social security number

Home address (Number and street or rural route)

Marital status
☐ Single ☐ Married
(If married but legally separated, or wife (husband) is a nonresident alien, check the single block.)

City or town, State and ZIP code

1 Total number of allowances you are claiming . . . . . .

2 Additional amount, if any, you want deducted from each pay (if your employer agrees) . . . . . $

I certify that to the best of my knowledge and belief, the number of withholding allowances claimed on this certificate does not exceed the number to which I am entitled.

Signature ▶ ..... Date ▶ ..... 19.....

W-4E Exemption From Withholding is designed for those wage earners who wish to have no tax withheld on wages paid during a certain year.

Especially useful for students, Form W-4E certifies the student had no tax liability last year and will not earn enough to have any tax liability this year. No tax will be withheld so that it will not be necessary to file a claim solely for a refund. FICA taxes will be withheld, however.

The importance of these two forms lies in the fact that if an employee does not file either Form W-4 or W-4E, the employer is required by law to withhold income tax without permitting any allowances.

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3. *Tax Statement* W-2 Wage and Tax Statement

Every employee must receive a Form W-2 by January 31st of the year following the year in which the wages were earned. This statement is necessary whether or not the employee is required to file a tax return.

Information provided on the W-2 includes:
- Employer's name & address
- Employee's social security number
- Amount of Federal income tax withheld
- Total wages paid to the employee
- Amount of FICA tax withheld
- Employee's name & address

Copies of the W-2 are provided for use by
- IRS
- Employee when filing a federal income tax return
- Employee for his records
- Employee when filing state and/or local tax returns

A copy of a W-2 Form must be filed for wages earned from each employer during a tax year should an employee have held more than one job.

Remember: Copy A of your W-2 is filed with the IRS even before you file your tax return.

1 Control number		2 Employer's State number		
3 Employer's name, address, and ZIP code		4 Sub-total ☐ Cor-rection ☐ Void ☐ 7 Employer's identification number		
10 Employee's social security number	11 Federal income tax withheld	12 Wages, tips, other compensation	13 FICA tax withheld	14 Total FICA wages
15 Employee's name (first, middle, last)		16 Pension plan coverage? Yes/No	17	18 FICA tips
19 Employee's address and ZIP code				
Wage and Tax Statement		Copy B To be filed with employee's FEDERAL tax return		

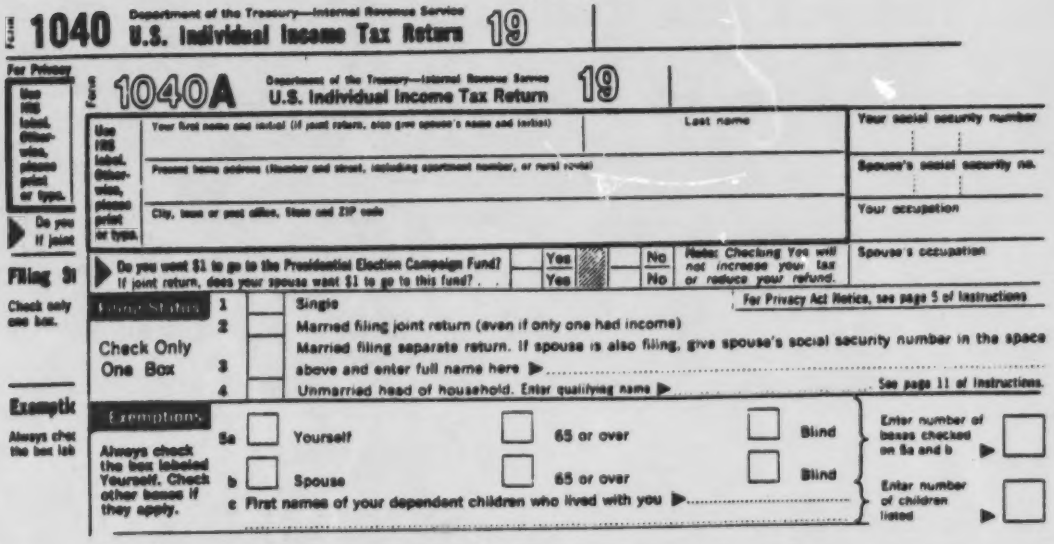
Form W-2 This information is being furnished to the Internal Revenue Service. Department of the Treasury—Internal Revenue Service

4. Income Tax Return

1040 / 1040A Individual Income Tax Return

Two IRS forms are available for filing a Federal income tax return: 1040, the standard form which allows for itemizing deductions
1040A the short form which uses a standardized deduction

For most beginning workers, the 1040A Form is the one to use. You will be given guidelines in choosing the proper form in the next section of this PAL.



Form 1040 Department of the Treasury—Internal Revenue Service U.S. Individual Income Tax Return 19

Form 1040A Department of the Treasury—Internal Revenue Service U.S. Individual Income Tax Return 19

Use IRS label. Otherwise, please print or type.

Your first name and initial (if joint return, also give spouse's name and initial) | Last name | Your social security number

Present home address (Number and street, including apartment number, or rural route) | Spouse's social security no.

City, town or post office, State and ZIP code | Your occupation

Do you want $1 to go to the Presidential Election Campaign Fund? Yes No
If joint return, does your spouse want $1 to go to this fund? Yes No
Note: Checking Yes will not increase your tax or reduce your refund. | Spouse's occupation

Filing Status — Check Only One Box
1 Single
2 Married filing joint return (even if only one had income)
3 Married filing separate return. If spouse is also filing, give spouse's social security number in the space above and enter full name here ▶
4 Unmarried head of household. Enter qualifying name ▶

For Privacy Act Notice, see page 5 of instructions.
See page 11 of instructions.

Exemptions — Always check the box labeled Yourself. Check other boxes if they apply.
5a Yourself 65 or over Blind
b Spouse 65 or over Blind
c First names of your dependent children who lived with you ▶

Enter number of boxes checked on 5a and b ▶
Enter number of children listed ▶

TO REVIEW: TWO FORMS ARE COMPLETED PREVIOUS TO OBTAINING A JOB:
SS-5 to obtain a social security number
W-4
or
W-4E to declare exemptions

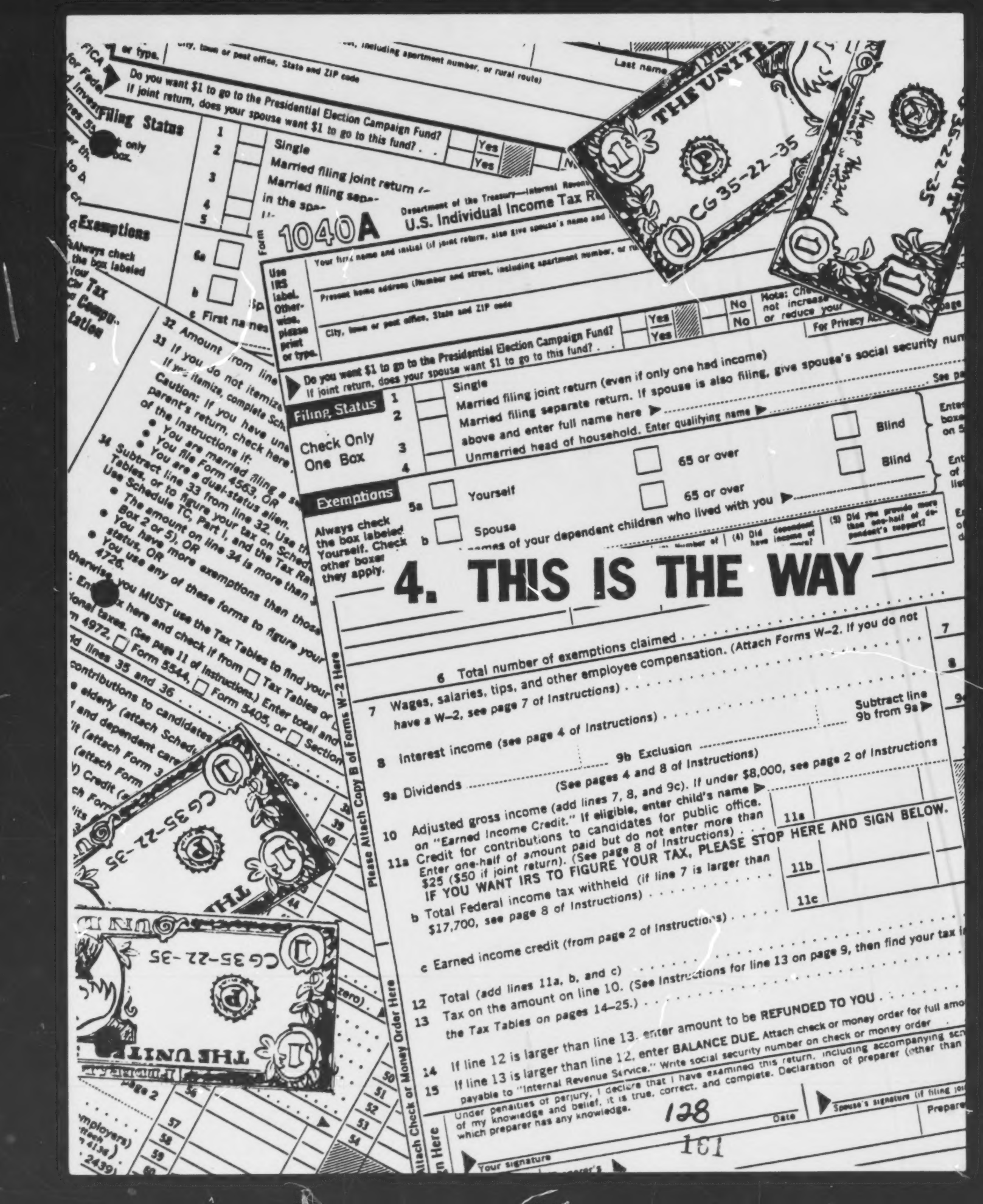
TWO FORMS ARE INCOME TAX FORMS:
W-2 which states earnings and deductions
1040
or which the taxpayer uses to file his
1040A income tax return

EACH TAXPAYER COMPLETES THE FORMS WHICH ARE APPROPRIATE FOR HIM IN HIS OWN SITUATION.
EVERYONE COMPLETES THE SS-5 AND RECEIVES A COPY OF THE W-2.
ACCORDING TO HIS OWN PARTICULAR SITUATION, HE ALSO COMPLETES EITHER A W-4 OR W-4E FOR HIS EMPLOYER, AND FILES EITHER A 1040 OR 1040A INCOME TAX RETURN EACH YEAR.

3. FORMS

WRITE THE NAME OF EACH FORM DESCRIBED BELOW:

1.	_____	Statement of earnings and amounts withheld
2.	_____	Application for a social security number
3.	_____	Short form used when filing an individual income tax return.
4.	_____	Form on which the number of personal exemptions claimed is written
5.	_____	Individual income tax return on which items are listed and individual deductions are itemized
6.	_____	Form used to replace a lost social security card
7.	_____	Form which must be filed with an individual income tax return
8.	_____	Form which is filed with the IRS by your employer
9.	_____	"FICA" form or application
10.	_____	Form which includes employee's name, address, social security number, federal income tax withheld, total wages, FICA tax withheld, and the employer's name and address


Do you want $1 to go to the Presidential Election Campaign Fund?
If joint return, does your spouse want $1 to go to this fund?
Filing Status
Single
Married filing joint return
Married filing sepa-
in the spa-
Exemptions
Always check the box labeled
Your
Cla
Compu-
Latio
Form 1040A
Department of the Treasury—Internal Revenue
U.S. Individual Income Tax R
Use IRS label. Otherwise, please print or type.
Present home address (Number and street, including apartment number, or rural route)
City, town or post office, State and ZIP code
Last name
Yes
No
Note: Chec
not increase
or reduce your
For Privacy Act
Filing Status
Check Only One Box
Married filing joint return (even if only one had income)
Married filing separate return. If spouse is also filing, give spouse's social security num
above and enter full name here ▶
Unmarried head of household. Enter qualifying name ▶
Blind
Exemptions
Always check the box labeled Yourself. Check other boxes they apply.
Yourself
65 or over
Spouse
(1) Number of
(4) Did dependent have income of
(5) Did you provide more than one-half of dependent's support?
4. THIS IS THE WAY
6 Total number of exemptions claimed
7 Wages, salaries, tips, and other employee compensation. (Attach Forms W-2. If you do not have a W-2, see page 7 of Instructions)
8 Interest income (see page 4 of Instructions)
9a Dividends
9b Exclusion
Subtract line 9b from 9a ▶
10 Adjusted gross income (add lines 7, 8, and 9c). If under $8,000, see page 2 of Instructions
(See pages 4 and 8 of Instructions)
on "Earned Income Credit." If eligible, enter child's name ▶
11a Credit for contributions to candidates for public office.
Enter one-half of amount paid but do not enter more than $25 ($50 if joint return). (See page 8 of Instructions)
IF YOU WANT IRS TO FIGURE YOUR TAX, PLEASE STOP HERE AND SIGN BELOW.
b Total Federal income tax withheld (if line 7 is larger than $17,700, see page 8 of Instructions)
c Earned income credit (from page 2 of Instructions)
12 Total (add lines 11a, b, and c)
13 Tax on the amount on line 10. (See Instructions for line 13 on page 9, then find your tax i
the Tax Tables on pages 14–25.)
14 If line 12 is larger than line 13, enter amount to be REFUNDED TO YOU
15 If line 13 is larger than line 12, enter BALANCE DUE. Attach check or money order for full amo
payable to "Internal Revenue Service." Write social security number on check or money order
Under penalties of perjury, I declare that I have examined this return, including accompanying sch
of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than
which preparer has any knowledge.
128
Date
Your signature
Spouse's signature (if filing jo
Prepare
Please Attach Copy B of Forms W-2 Here
Attach Check or Money Order Here
THE UNITED STATES OF AMERICA
CG 35-22-35
ONE DOLLAR

passwords ...

4. THIS IS THE WAY

AGI	Adjusted Gross Income
ATTACHMENTS	Forms attached to the face of a 1040 or 1040A to substantiate figures which appear on the form
ATTORNEYS	Attorneys who specialize in tax matters
CAMPAIGN FUND	Presidental Election Campaign Fund
CPAs	Certified Public Accountants--licensed specialists in the keeping of financial records
CREDITS	Amounts which are deducted directly from one's taxes
CREDIT UNION	A financial cooperative in which members with a common bond join together to save money and make loans to members
DEDUCTIONS	Standard or itemized amounts which may be deducted from income in arriving at taxable income; sales tax, interest payments, charitable contributions
ENROLLED AGENTS	Former IRS agents or persons who have passed a Treasury Department exam to qualify to prepare tax returns
EXEMPTION	Standard amount deduction from gross income allowed for the taxpayer and his dependents as exempt from income taxes
FILING STATUS	Classification used to determine tax rates and standard deductions; examples are single, married, filing jointly, etc.

INCOME TAX	*A tax levied by the government on the incomes of individuals, trusts, estates, and corporations*
LIABILITY	*The amount of tax owed*
PREPARER	*One who completes an income tax return other than the individual taxpayer*
16th AMENDMENT	*The amendment to the Constitution authorizing the collection of income taxes by the U.S. government*
TAX CLINICS	*Non-profit sources of specialized tax advice to low-income taxpayers, usually sponsored by law schools, volunteer service organizations, and the IRS*
TAX SERVICES	*Local or national businesses for preparing tax returns*
TAX STATUS	*An individual taxpayer's "owe" or "refund due" status after his taxes have been computed*
1099	*An income statement form for income from which no taxes have been withheld*

Ready to Move On ?

Do You Know the Passwords ?

This is IT*

Well . . . you've struggled through:

WHY TAXES ?

HERE A TAX, THERE A TAX, EVERYWHERE A TAX . . .

and

FORMS, FORMS, FORMS

At last it's time to actually find out how and get some practice in completing an individual income tax return--the tax which most of us are most concerned about.

In *THIS IS THE WAY* we will

* look at some of the history of income taxes in the United States
* establish the basic steps in preparing a return
* provide pointers for the preparation of returns
* discuss the sources of help in completing an income tax return.

The basic steps remain rather standard from year to year. The same type of data is needed and certain standard mathematics are used. But, the specific laws and guidelines change from year to year as the IRS regulations are revised.
The tables you use, the amounts you deduct, and the specific allowances are guides only. The taxpayer will need to use annual IRS guidelines in the filing of each return.

***Income Tax:** A TAX LEVIED BY THE GOVERNMENT ON THE INCOMES OF INDIVIDUALS, TRUSTS, ESTATES, AND CORPORATIONS

One of our responsibilities as U.S. citizens is to pay our taxes. This has not always been the case. Let's take a look at the federal income tax as we know it.

Although we have not always had income taxes, since 1913 U.S. citizens have been required to pay a federal tax on their incomes.

As has often been true in the history of our economy, wars have had a major effect on modern taxation. Introduced as a "disagreeable duty" (indeed, who would not agree, even today?) to prevent the "annihilation of this government," the income tax was imposed as a revenue act in 1861. It began as basically a rich man's tax--only 1% of the population was affected--and was allowed to expire in 1870.

It was not until 1913 with the adoption of the 16th Amendment, which explicitly gave Congress the power to impose taxes without apportionment (distribution), that modern taxation became a reality.

World War I instituted a steeply graduated tax levy and World War II brought a revolution in the method of federally taxing income.

Among the many changes and additions to the tax laws since 1913 were the following:

* 1924: U.S. Board of Tax Appeals
* 1939: Internal Revenue Code
* 1942: Tax Court of the U.S. replaced Board of Tax Appeals
* 1943: Individuals placed on a *pay-as-you-go* basis
  Employers withheld money from paychecks
  Taxpayers made estimated tax payments before the end of the tax year
* 1944: Optional standard deductions
* 1948: Old age & blindness exemptions
  Split-income joint returns for married persons
* 1954: April 15 deadline for filing individual tax returns for the preceding year

The basis of changes in the history of the income tax in the United States has been: wartime budgets
inflation
expanded public services

IT'S REALLY VERY SIMPLE...

The preparation of an individual income tax return *is* simple--
the IRS uses only 150,000 words to instruct the taxpayer in filling out his income tax return.

Following the answering of two basic questions:

WHO MUST FILE ?
and
TO ITEMIZE OR NOT TO ITEMIZE ?

the taxpayer has only to follow the step-by-step directions in completing either his 1040 or 1040A.

But let's begin with those first two basic questions.

Who Must File?

YOU must file a return, either the Short Form 1040A or Form 1040 if you earn enough income to meet the IRS standards according to your filing status. These income amounts change annually. It is therefore necessary to check the current amounts before filing a return.
The following table is given as an example:

YOU MUST FILE A RETURN IF YOU ARE:	AND YOUR GROSS INCOME IS AT LEAST:
SINGLE	
UNDER 65	$2,950
65 OR OVER	$3,700
MARRIED, FILING JOINT RETURN	
BOTH UNDER 65	$4,700
ONE 65 OR OVER	$5,450
BOTH 65 OR OVER	$6,200
MARRIED, FILING SEPARATE RETURN	$ 750
DEPENDENT ON PARENT'S RETURN	$ 750
WIDOW(ER)	
UNDER 65	$3,950
65 OR OVER	$4,700

Exercises

Use the "Who Must File?" table to see if you can determine the gross income which would qualify each of the following citizen-consumers as taxpayers.
The first one is done for you.

TAXPAYER	NECESSARY GROSS INCOME
1. Nancy is a student with no earned income.	$ 750
2. John is single, aged 23.	
3. Happ and Ms. Happ are married, Happ is 67, Ms. Happ is 66, and they are filing a joint return.	
4. Henry is a bachelor, aged 57.	
5. Mr. & Mrs. E. Z. Go are filing a joint return. Mr. Go is 66, Mrs. Go is 64.	

Even though you are not REQUIRED to file a return, according to the income guide provided by the IRS, you SHOULD file a return if:

(1) INCOME TAX WAS WITHHELD FROM YOU THAT YOU ARE ENTITLED TO GET BACK AS A REFUND

OR

(2) YOU ARE ELIGIBLE FOR AN EARNED INCOME CREDIT GRANTED THOSE TAXPAYERS RECEIVING LESS THAN A MINIMUM INCOME AS DEFINED BY THE IRS

Your return in either of these cases would be for the purpose of claiming a REFUND.

To Itemize or Not to Itemize

The choice of forms -- 1040 or 1040A -- and the decision as to whether to itemize your deductions are really different forms of the same question. These decisions are based on the amount of a taxpayer's AGI (Adjusted Gross Income) and the total amount of deductions which can be claimed.

You MAY Be Able to Use Form 1040A if:

* You had only wages, salaries, tips, or other employee compensation, and not more than $400 in interest or $400 IN DIVIDENDS
* Your total income is $20,000 or less ($40,000 or less if married and filing a joint return)

You MUST Use Form 1040 if:

* You itemize deductions
* You claim more exemptions than are covered in the tax table for your filing status
* Your spouse files a separate return and itemizes deductions. (There are exemptions)
* You can be claimed as a dependent on your parent's return, had unearned income of $750 or more, AND had earned income of less than $2,200 if single (less than $1,600 if married filing a separate return)
* You are a qualifying widow(er) with a dependent child
* You meet other specialized qualifications

In general, itemizing deductions is a money saver only for taxpayers who are purchasing their homes and making high interest payments; are giving a sizeable percentage of their income to charitable causes, are required to pay unusually high medical bills during the year; or have suffered unforeseen casualty loss--such as a fire destroying their home. These taxpayers will need the 1040.

Since Form 1040A is easier to complete than Form 1040, you should use it if you can. For most new or young taxpayers, 1040A is the appropriate form because the total which could be claimed as deductions is more than covered in the standard deduction given.

SO 135183

1040A

13 SIMPLE STEPS

AS YOU READ THROUGH EACH OF THE 13 STEPS, PRACTICE BY COMPLETING THE SAMPLE FORMS GIVEN.
USE YOUR OWN DATA. IF YOU ARE NOT EMPLOYED, SUPPLY ANY APPROPRIATE FIGURES NEEDED.

1 Records

The first step in preparing an income tax return is the same first step you would have for any project--be prepared. With taxes this means getting together all the forms and records you will need. To complete the 1040A you will need only any W-2 OR 1099 which you have been issued by your employers.

2 Identification
3 Social Security

Use the mailing label provided by IRS if you have filed a return in the past and one has been sent with your instructions for filing.
Otherwise, type or print clearly in ink the name and address information requested.

Form **1040A** Department of the Treasury—Internal Revenue Service
U.S. Individual Income Tax Return 19 |

Use IRS label. Otherwise, please print or type.	Your first name and initial (if joint return, also give spouse's name and initial)	Last name	Your social security number
	Present home address (Number and street, including apartment number, or rural route)		Spouse's social security no.
	City, town or post office, State and ZIP code		Your occupation
			Spouse's occupation

Your social security number will appear on your IRS mailing label, should you have one. If not, print or type your number in the space provided. Because your social security number is your "taxpayer identification number," it is extremely important that you provide this number on your return.

Should you not have a social security number, obtain an SS-5 and apply for yours. If you have not yet received your number by the April 15 filing date, write "Applied For" in the space for the social security number.

4 Campaign Fund

Check "Yes" or "No" for this question.
NOTE: IF YOU CHECK THE "YES" BOX(ES), IT WILL NOT INCREASE YOUR TAX OR REDUCE YOUR REFUND.

Do you want $1 to go to the Presidential Election Campaign Fund?		Yes			No	Note: Checking Yes will not increase your tax or reduce your refund.
If joint return, does your spouse want $1 to go to this fund? . .		Yes			No	

5 Status

Check only one of the four boxes in the area of your return. Your tax rate and standard deductions depend on the box you check.
Check with care!!

Filing Status				
Check Only One Box	1	☐	Single	For Privacy Act Notice, see page 5 of Instructions
	2	☐	Married filing joint return (even if only one had income)	
	3	☐	Married filing separate return. If spouse is also filing, give spouse's social security number in the space above and enter full name here ▶	
	4	☐	Unmarried head of household. Enter qualifying name ▶	See page 11 of Instructions.

6 Exemptions

Complete all sections in this area. Note that the taxpayer is allowed additional exemptions if he and/or his spouse is 65 or older, and for each of whom is blind. Dependents must meet all the qualifications which are spelled out in the IRS instructions to taxpayers. Note also the questions asked about "Other" dependents on the form.

Exemptions						
Always check the box labeled Yourself. Check other boxes if they apply.	5a ☐ Yourself	☐ 65 or over	☐ Blind	Enter number of boxes checked on 5a and b ▶	
	b ☐ Spouse	☐ 65 or over	☐ Blind		
	c First names of your dependent children who lived with you ▶			Enter number of children listed ▶	

d Other dependents: (1) Name	(2) Relationship	(3) Number of months lived in your home.	(4) Did dependent have income of $750 or more?	(5) Did you provide more than one-half of dependent's support?	Enter number of other dependents ▶
6 Total number of exemptions claimed					Add numbers entered in boxes above ▶

7 Income

Include ALL taxable income: wages, dividends, and interest. Special instructions are given for dependents on their parent's returns.
If the return is a joint return, the amounts are for both wage earners.

7 Wages, salaries, tips, and other employee compensation. (Attach Forms W-2. If you do not have a W-2, see page 7 of Instructions)	7		
8 Interest income (see page 4 of Instructions)	8		
9a Dividends ..... 9b Exclusion ..... (See pages 4 and 8 of Instructions)	Subtract line 9b from 9a ▶ 9c		
10 Adjusted gross income (add lines 7, 8, and 9c). If under $8,000, see page 2 of Instructions on "Earned Income Credit." If eligible, enter child's name ▶	10		

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8 Credit

Credits are amounts which reduce the total tax liability of the taxpayer.
Those who have contributed to candidates for public office may claim 1/2 the amount contributed, up to the stated limit.
All taxpayers who have had federal income tax withheld state the amount which appears on their W-2 Form.
Those qualifying for earned income credit indicate this information also.

11a	Credit for contributions to candidates for public office. *Enter one-half of amount paid but do not enter more than $25 ($50 if joint return). (See page 8 of Instructions)* . . .	11a			
	IF YOU WANT IRS TO FIGURE YOUR TAX, PLEASE STOP HERE AND SIGN BELOW.				
b	Total Federal income tax withheld *(if line 7 is larger than $17,700, see page 8 of Instructions)*	11b			
c	Earned income credit *(from page 2 of Instructions)*	11c			
12	Total *(add lines 11a, b, and c)*			12	

THE INFORMATION GIVEN IN THE FIRST 8 STEPS IS FROM THE TAXPAYER'S RECORDS. WHEN THIS INFORMATION IS SUPPLIED, IRS WILL FIGURE THE TAX IF THE TAXPAYER SUPPLIES THE NEEDED INFORMATION AND SIGNS THE RETURN.

9 Tax

Tax Tables are used to determine tax, based on the filing status of the taxpayer, and the number of exemptions.

13	Tax on the amount on line 10. *(See Instructions for line 13 on page 9, then find your tax in the Tax Tables on pages 14–25.)*	13		

A section of a sample table for single taxpayers is reproduced below:

If Form 1040A, line 10, is—		And the total number of exemptions claimed on line 6 is—		
Over	But not over	1	2	3
		Your tax is—		
If $3,200 or less your tax is 0				
3,200	3,250	4	0	0
3,250	3,300	11	0	0
3,300	3,350	18	0	0
3,350	3,400	25	0	0
3,400	3,450	32	0	0
3,450	3,500	39	0	0
3,500	3,550	46	0	0
3,550	3,600	54	0	0
3,600	3,650	61	0	0
3,650	3,700	69	0	0
3,700	3,750	76	0	0
3,750	3,800	84	0	0
3,800	3,850	91	0	0
3,850	3,900	99	0	0
3,900	3,950	106	0	0
3,950	4,000	114	0	0

Over	But not over	1	2	3
		Your tax is—		
10,000	10,050	1,227	1,062	909
10,050	10,100	1,238	1,073	919
10,100	10,150	1,249	1,084	928
10,150	10,200	1,260	1,095	938
10,200	10,250	1,271	1,106	947
10,250	10,300	1,282	1,117	957
10,300	10,350	1,293	1,128	966
10,350	10,400	1,304	1,139	976
10,400	10,450	1,315	1,150	985
10,450	10,500	1,326	1,161	996
10,500	10,550	1,337	1,172	1,007
10,550	10,600	1,348	1,183	1,018
10,600	10,650	1,359	1,194	1,029
10,650	10,700	1,370	1,205	1,040
10,700	10,750	1,381	1,216	1,051
10,750	10,800	1,392	1,227	1,062
10,800	10,850	1,403	1,238	1,073
10,850	10,900	1,414	1,249	1,084
10,900	10,950	1,425	1,260	1,095
10,950	11,000	1,436	1,271	1,106

10 Tax Status

Determine whether you owe additional taxes, "BALANCE DUE", or a refund is due you, "OVERPAID".

14	If line 12 is larger than line 13, enter amount to be **REFUNDED TO YOU** . . . . . ▶	14		
15	If line 13 is larger than line 12, enter **BALANCE DUE.** Attach check or money order for full amount payable to "Internal Revenue Service." Write social security number on check or money order . . ▶	15		

11 Recheck

This step is one of the most important, but too often skipped by the harried taxpayer.

Be sure to go over each item on your return, checking figures carefully.

You should file your income tax, not chisel it.

12 Sign, Date

Don't forget to sign and date your return--IRS receives many which must be returned because the taxpayer has forgotten this all-important step. This is especially disappointing if you have been waiting to spend that refund check.

Please Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

▶ Your signature _____ Date

▶ Spouse's signature (if filing jointly, BOTH must sign even if only one had income)

Paid Preparer's Information

Preparer's signature ▶

Preparer's social security no.

Check if self-employed ▶ ☐

Firm's name (or yours, if self-employed), address and ZIP code ▶

E.I. No. ▶

Date ▶

13 Attachments

The two statements:

Please Attach Copy B of Forms W-2 Here **Please Attach Check or Money Order Here**

appear on the left margin of the Form 1040A.
The W-2's confirm the figures stated on your return.
The check or money order is necessary only if you owe additional taxes.

Exercises

Now that you have all the steps necessary for completing the 1040A, try your hand at completing Happ Hazzard's return.
Use the information given and the form 1040A which follows.

(Show all amounts as whole dollars)

If you have completed the 1040A correctly, Happ and Ms. Happ will owe IRS $256.00.

TAX INFORMATION -- HAPP HAZZARD 000-00-001
PRUDENCE HAZZARD 000-00-002

ADDRESS:	66 Somoleon Street Rockledge, Wykota 00001	
EMPLOYMENT:	Happ Hazzard	Crane operator, Rockledge Quarry
	Prudence Hazzard	Clerk, Rockledge Department Store
PERSONAL DATA:	Married Both are under 65 Filing a joint return No dependents	
PRESIDENTIAL ELECTION CAMPAIGN FUND:	Happ will designate $1 Prudence will not designate $1	
INCOME:	Happ Hazzard:	$10,546.33
	Prudence Hazzard:	$ 7,100.52
CONTRIBUTIONS TO CANDIDATES:	$0	
INCOME TAX WITHHELD:	Happ Hazzard:	$1360.38
	Prudence Hazzard:	$ 695.10
DATE:	4/10/80	

Form 1040A Department of the Treasury—Internal Revenue Service U.S. Individual Income Tax Return 19

Form **1040A** Department of the Treasury—Internal Revenue Service

U.S. Individual Income Tax Return

Use IRS label. Otherwise, please print or type.	Your first name and initial (if joint return, also give spouse's name and initial)	Last name	Your social security number
	Present home address (Number and street, including apartment number, or rural route)		Spouse's social security no.
	City, town or post office, State and ZIP code		Your occupation
			Spouse's occupation

Do you want $1 to go to the Presidential Election Campaign Fund? ☐ Yes ☐ No
If joint return, does your spouse want $1 to go to this fund? ☐ Yes ☐ No

Note: Checking Yes will not increase your tax or reduce your refund.

For Privacy Act Notice, see page 5 of Instructions.

Filing Status — Check Only One Box

1 ☐ Single
2 ☐ Married filing joint return (even if only one had income)
3 ☐ Married filing separate return. If spouse is also filing, give spouse's social security number in the space above and enter full name here ▶
4 ☐ Unmarried head of household. Enter qualifying name ▶ . See page 11 of Instructions.

Exemptions

Always check the box labeled Yourself. Check other boxes if they apply.

5a ☐ Yourself ☐ 65 or over ☐ Blind
b ☐ Spouse ☐ 65 or over ☐ Blind

Enter number of boxes checked on 5a and b ▶

c First names of your dependent children who lived with you ▶

Enter number of children listed ▶

d Other dependents:

(1) Name	(2) Relationship	(3) Number of months lived in your home.	(4) Did dependent have income of $750 or more?	(5) Did you provide more than one-half of dependent's support?

Enter number of other dependents ▶

Add numbers entered in boxes above ▶

6 Total number of exemptions claimed

Please Attach Copy B of Forms W-2 Here

7	Wages, salaries, tips, and other employee compensation. (Attach Forms W-2. If you do not have a W-2, see page 7 of Instructions)		7	
8	Interest income (see page 4 of Instructions)		8	
9a	Dividends ... 9b Exclusion ... (See pages 4 and 8 of Instructions)	Subtract line 9b from 9a ▶	9c	
10	Adjusted gross income (add lines 7, 8, and 9c). If under $8,000, see page 2 of Instructions on "Earned Income Credit." If eligible, enter child's name ▶		10	
11a	Credit for contributions to candidates for public office. Enter one-half of amount paid but do not enter more than $25 ($50 if joint return). (See page 8 of Instructions)	11a		
	IF YOU WANT IRS TO FIGURE YOUR TAX, PLEASE STOP HERE AND SIGN BELOW.			
b	Total Federal income tax withheld (if line 7 is larger than $17,700, see page 8 of Instructions)	11b		
c	Earned income credit (from page 2 of Instructions)	11c		
12	Total (add lines 11a, b, and c)		12	
13	Tax on the amount on line 10. (See Instructions for line 13 on page 9, then find your tax in the Tax Tables on pages 14–25.)		13	
14	If line 12 is larger than line 13, enter amount to be REFUNDED TO YOU ▶		14	
15	If line 13 is larger than line 12, enter BALANCE DUE. Attach check or money order for full amount payable to "Internal Revenue Service." Write social security number on check or money order ▶		15	

Please Attach Check or Money Order Here

Please Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Your signature ... Date ... Spouse's signature (if filing jointly, BOTH must sign even if only one had income)

Paid Preparer's Information

Preparer's signature ▶ ... Preparer's social security no. ... Check if self-employed ▶ ☐

Firm's name (or yours, if self-employed), address and ZIP code ▶ ... E.I. No. ▶ ... Date ▶

☆ U.S. GOVERNMENT PRINTING OFFICE: 1978-O-283-782 58-040-1110

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"I finally finished. We owe IRS 2 billion dollars and 4 cents."

If Form 1040A, line 10, is—		And the total number of exemptions claimed on line 6 is—							
Over	But not over	2	3	4	5	6	7	8	9
		Your tax is—							
16,800	16,850	2,111	1,943	1,778	1,613	1,418	1,218	1,029	851
16,850	16,900	2,124	1,954	1,789	1,624	1,429	1,229	1,038	861
16,900	16,950	2,136	1,965	1,800	1,635	1,440	1,240	1,048	870
16,950	17,000	2,149	1,976	1,811	1,646	1,451	1,251	1,057	880
17,000	17,050	2,161	1,987	1,822	1,657	1,462	1,262	1,067	889
17,050	17,100	2,174	1,998	1,833	1,668	1,473	1,273	1,076	899
17,100	17,150	2,186	2,009	1,844	1,679	1,484	1,284	1,086	908
17,150	17,200	2,199	2,020	1,855	1,690	1,495	1,295	1,095	918
17,200	17,250	2,211	2,031	1,866	1,701	1,506	1,306	1,106	927
17,250	17,300	2,224	2,042	1,877	1,712	1,517	1,317	1,117	937
17,300	17,350	2,236	2,053	1,888	1,723	1,528	1,328	1,128	946
17,350	17,400	2,249	2,064	1,899	1,734	1,539	1,339	1,139	956
17,400	17,450	2,261	2,075	1,910	1,745	1,550	1,350	1,150	965
17,450	17,500	2,274	2,086	1,921	1,756	1,561	1,361	1,161	975
17,500	17,550	2,286	2,099	1,932	1,767	1,572	1,372	1,172	984
17,550	17,600	2,299	2,111	1,943	1,778	1,583	1,383	1,183	994
17,600	17,650	2,311	2,124	1,954	1,789	1,594	1,394	1,194	1,003
17,650	17,700	2,324	2,136	1,965	1,800	1,605	1,405	1,205	1,013
17,700	17,750	2,336	2,149	1,976	1,811	1,616	1,416	1,216	1,022
17,750	17,800	2,349	2,161	1,987	1,822	1,627	1,427	1,227	1,032
17,800	17,850	2,361	2,174	1,998	1,833	1,638	1,438	1,238	1,041
17,850	17,900	2,374	2,186	2,009	1,844	1,649	1,449	1,249	1,051
17,900	17,950	2,386	2,199	2,020	1,855	1,660	1,460	1,260	1,060
17,950	18,000	2,399	2,211	2,031	1,868	1,671	1,471	1,271	1,071

Happ and Prudence were not too happy when they figured their income tax and discovered that they were not entitled to a refund from the IRS, but would have to pay even more taxes.
Therefore, Prudence will complete a new W-4 Form for her employer. She will request that her records show no personal deductions instead of the one she had claimed during the previous tax year. In this way additional taxes will be withheld and the Hazzard's tax liabilities will be better covered by regular payroll deductions.

HELP!

The filing of an income tax return does not have to be a task the taxpayer must complete without any help.

The problem for the consumer is not the problem of finding help, but being sure that the help he uses is reputable and worth the cost involved.

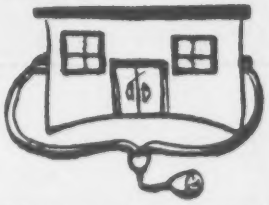
Let's look at two angles of the problem: what kinds of help are available, and how to evaluate that help.

When the consumer goes shopping for help in playing his role of taxpayer, a variety of choices are available. Among them: IRS, Tax Services, Tax Clinics, Credit Unions, Enrolled Agents, CPAs, and Attorneys:

IRS The Internal Revenue Service is the major free source of information and assistance in preparing an individual tax return. Some 80 publications, 40 forms, 300 toll-free telephone numbers and personal counseling at the IRS office are provided to assist the taxpayer in all areas of tax return preparation.

TAX SERVICES Tax services offered to the public may be either local or national tax services. Tax "experts" who rent a vacant store in March and are impossible to find after April are to be avoided like a pool of jellyfish. When considering using any service, keep in mind:

Never sign a blank return
Be skeptical of any firm or preparer that promises a refund
Avoid any preparer who offers an immediate check for your your refund--what he's really offering you is probably a loan
* Look for someone who will be around all year--not disappear after April 15



TAX CLINICS Sponsored by law schools, volunteer service organizations, and even the IRS, tax clinics are usually non-profit and offer specialzed tax advice to low income taxpayers.

Two such clinics are TAX-AIDE, a clinic for the elderly sponsored by the American Association of Retired Persons, and the National Retired Teachers Association; and VITA, (Volunteer Income Tax Assistance) sponsored by the IRS.

TAX-AIDE, staffed by senior citizen volunteers, serves 1,100 communities in 49 states and Puerto Rico. Their services provide informational guidance and point out tax advantages which might otherwise be missed. TAX-AIDE may be located by contacting the American Association of Retired Persons, 1909 K Street, N.W., Washington, D.C. 200045.

VITA differs from TAX-AIDE in that its volunteers will complete forms rather than just offer advice. VITA offices may be located by contacting the IRS number for your locality.

CREDIT UNIONS

A growing number of credit unions now offer their members the free service of preparing income tax returns. Credit union members should contact their local credit union.

ENROLLED AGENTS

Some 16,500 former IRS agents or persons who have passed a difficult Treasury Department examination covering tax accounting for individuals, partnerships, corporations, trusts, and estates are called enrolled agents. In addition to preparing returns, enrolled agents may assist in settlements with the IRS and assist in appeals with the IRS. The Enrollment Coordinator at the nearest IRS District Office maintains a list of enrolled agents for those taxpayers interested in obtaining their services since enrolled agents are individual practitioners, not IRS employees, and set their own fees.

CPAs

Certified Public Accountants have a record of fewer errors than many other classifications of tax preparers. Their prices are high, however. They charge approximately $150 to $600, depending on the type of return. Most taxpayers do not need the specialized services of a CPA. A good rule of thumb is to seek the aid of a CPA only if your income is in excess of $40,000 and includes income from investment property, tax-exempt securities, royalties, or a trust fund; you bought or sold a house; you gave gifts worth $3,000 or more; you used your house or car for business; or you are supporting someone other than your immediate family. CPAs can be located through the state society of certified public accountants, an attorney, your credit union, or your banker.

ATTORNEYS

Most tax attorneys confine their practices to corporations rather than individuals, but a few offer advice, review forms prepared by CPAs, or will prepare returns. Fees range from $25 to $75 an hour and such services are usually required only by those in high income brackets with complex legal problems.

THE ULTIMATE RESPONSIBILITY FOR YOUR TAX RETURN IS YOURS.

Whether you complete your own income tax return, have a tax firm complete it, or use the services of a CPA or even the IRS, the final responsibility for filing an accurate individual return to the government is yours alone--you cannot delegate it.

CHOOSE YOUR PREPARER CAREFULLY.
IF YOU PAY SOMEONE TO PREPARE YOUR RETURN, THE PREPARER IS REQUIRED, UNDER THE LAW, TO SIGN THE RETURN AND TO INCLUDE THE PROPER IDENTIFICATION NUMBER.
REMEMBER, HOWEVER, THAT YOU ARE STILL RESPONSIBLE FOR THE ACCURACY OF EVERY ITEM ENTERED ON YOUR RETURN. THEREFORE, YOU SHOULD EXERCISE CARE IN CHOOSING SOMEONE WHO IS BOTH KNOWLEDGEABLE IN TAX MATTERS AND SCRUPULOUS IN PREPARING A COMPLETE AND ACCURATE TAX RETURN.

-- *Publication 17*
Internal Revenue Service

"Why haven't you said anything about your income tax this year?"

Remember the importance of the April 15 filing date

Exercises

The seven types of tax help are:

1. IRS
2. Tax Services
3. Tax Clinics
4. Credit Unions
5. Enrolled Agents
6. CPAs
7. Attorneys

Write the correct number in front of each description:

_____ The major source of free tax information and advice

_____ Non-profit services for low-income taxpayers

_____ Individuals who have passed difficult Treasury Department exams

_____ Profit-making tax preparation services, some of which close up after April 15

_____ Accountants who also prepare tax returns

4. THIS IS THE WAY

MATCH THE TERMS WITH THE CORRECT DEFINITIONS:

1. ____ Credit
2. ____ Deductions
3. ____ Exemptions
4. ____ Liability
5. ____ Preparer

A. the amount of tax owed

B. standard amounts allowed for the taxpayer and his dependents as exempt from income taxes

C. one who completes an income tax return other than the individual taxpayer

D. amounts which are deducted directly from one's taxes

E. adjusted gross income

F. standard or itemized amounts which may be deducted from income in arriving at taxable income--such as sales tax, interest payments, charitable contributions

CHECK THE APPROPRIATE FORM FOR EACH TAXPAYER DESCRIBED:

1040	1040A	
____	____	6. A student with a summer job and no other income.
____	____	7. A couple with two children, a home on which they are making payments, interest from stocks and bonds, and parents to support
____	____	8. A retired couple whose home is paid for, living on social security with no other income

9. Give an example of a situation in which it would be necessary to file a return for a refund even though the individual did not meet the gross income requirements for filing a return.

_____

_____

_____

10. Discuss: The IRS provides taxpayers with clear, concise directions for completing a Form 1040A Individual Income Tax Return.

TRUE	FALSE		
____	____	11.	Enrolled agents are IRS employees.
____	____	12.	Income taxes have been a requirement of U. S. citizens since 1913.
____	____	13.	The correct form for most students or persons working on their first job is a 1040A.
____	____	14.	Your social security number is your taxpayer identification number.
____	____	15.	If you check "yes" for Presidential Campaign Fund, you will have $1 deducted from your refund or added to your taxes owed.

Discuss and list the ways you would improve the individual income tax system in the United States or express your support of the current system.

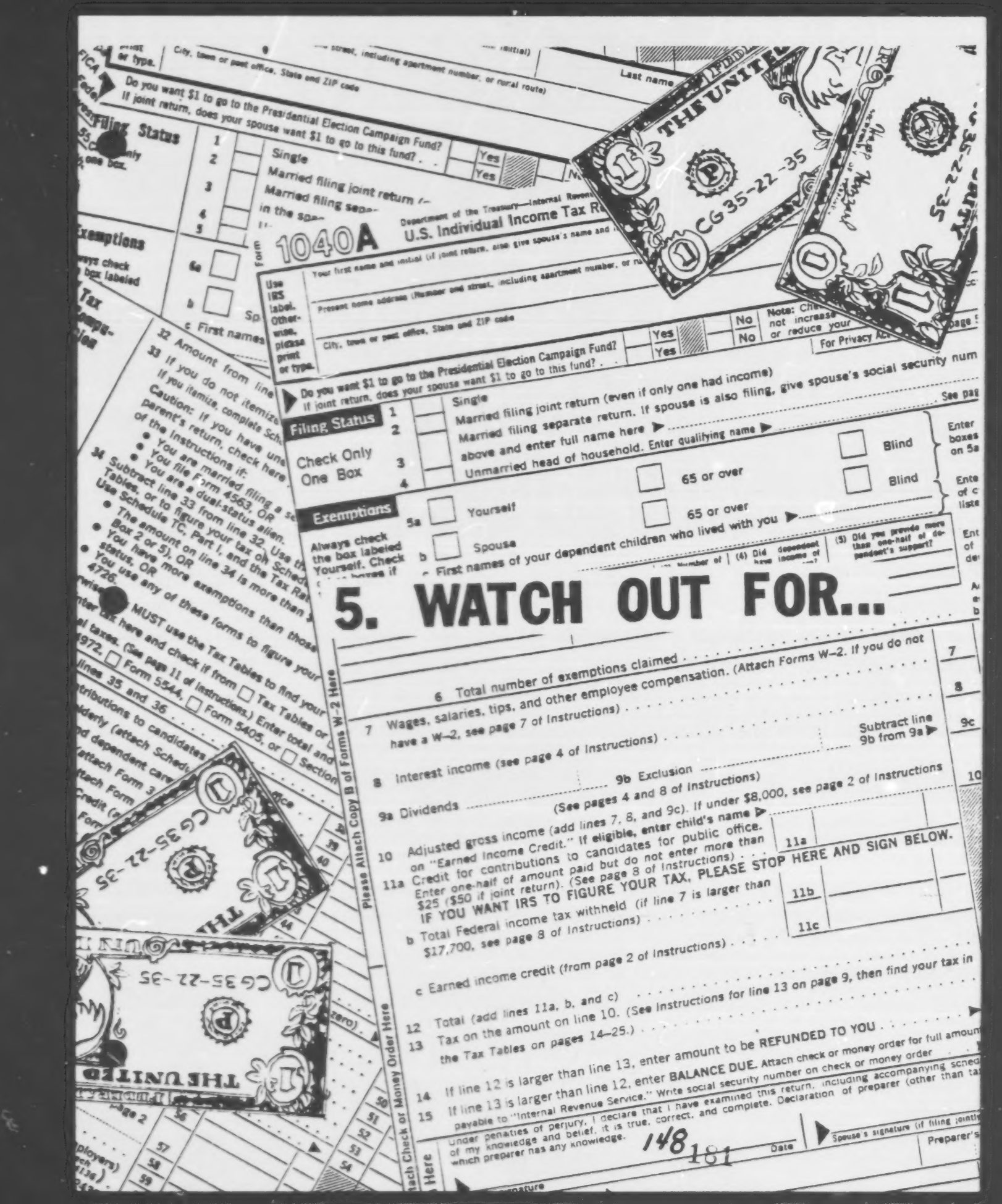
_____

_____

_____

_____

_____



Do you want $1 to go to the Presidential Election Campaign Fund? If joint return, does your spouse want $1 to go to this fund? . .

Yes / No

Filing Status

Check Only One Box

1 Single
2 Married filing joint return (even if only one had income)
3 Married filing separate return. If spouse is also filing, give spouse's social security num
4 Unmarried head of household. Enter qualifying name ▶

Exemptions

Always check the box labeled Yourself. Check

5a Yourself — 65 or over — Blind
b Spouse — 65 or over — Blind
c First names of your dependent children who lived with you ▶

(4) Did dependent have income of

(5) Did you provide more than one-half of dependent's support?

5. WATCH OUT FOR...

6 Total number of exemptions claimed

7 Wages, salaries, tips, and other employee compensation. (Attach Forms W-2. If you do not have a W-2, see page 7 of Instructions)

8 Interest income (see page 4 of Instructions)

9a Dividends — 9b Exclusion (See pages 4 and 8 of Instructions) — Subtract line 9b from 9a ▶

10 Adjusted gross income (add lines 7, 8, and 9c). If under $8,000, see page 2 of Instructions on "Earned Income Credit." If eligible, enter child's name ▶

11a Credit for contributions to candidates for public office. Enter one-half of amount paid but do not enter more than $25 ($50 if joint return). (See page 8 of Instructions)

IF YOU WANT IRS TO FIGURE YOUR TAX, PLEASE STOP HERE AND SIGN BELOW.

b Total Federal income tax withheld (if line 7 is larger than $17,700, see page 8 of Instructions)

c Earned income credit (from page 2 of Instructions)

12 Total (add lines 11a, b, and c)

13 Tax on the amount on line 10. (See Instructions for line 13 on page 9, then find your tax in the Tax Tables on pages 14–25.)

14 If line 12 is larger than line 13, enter amount to be REFUNDED TO YOU

15 If line 13 is larger than line 12, enter BALANCE DUE. Attach check or money order for full amount payable to "Internal Revenue Service." Write social security number on check or money order

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) which preparer has any knowledge.

Date — Spouse's signature (if filing joint return)

Please Attach Copy B of Forms W-2 Here

Please Attach Check or Money Order Here

148 181

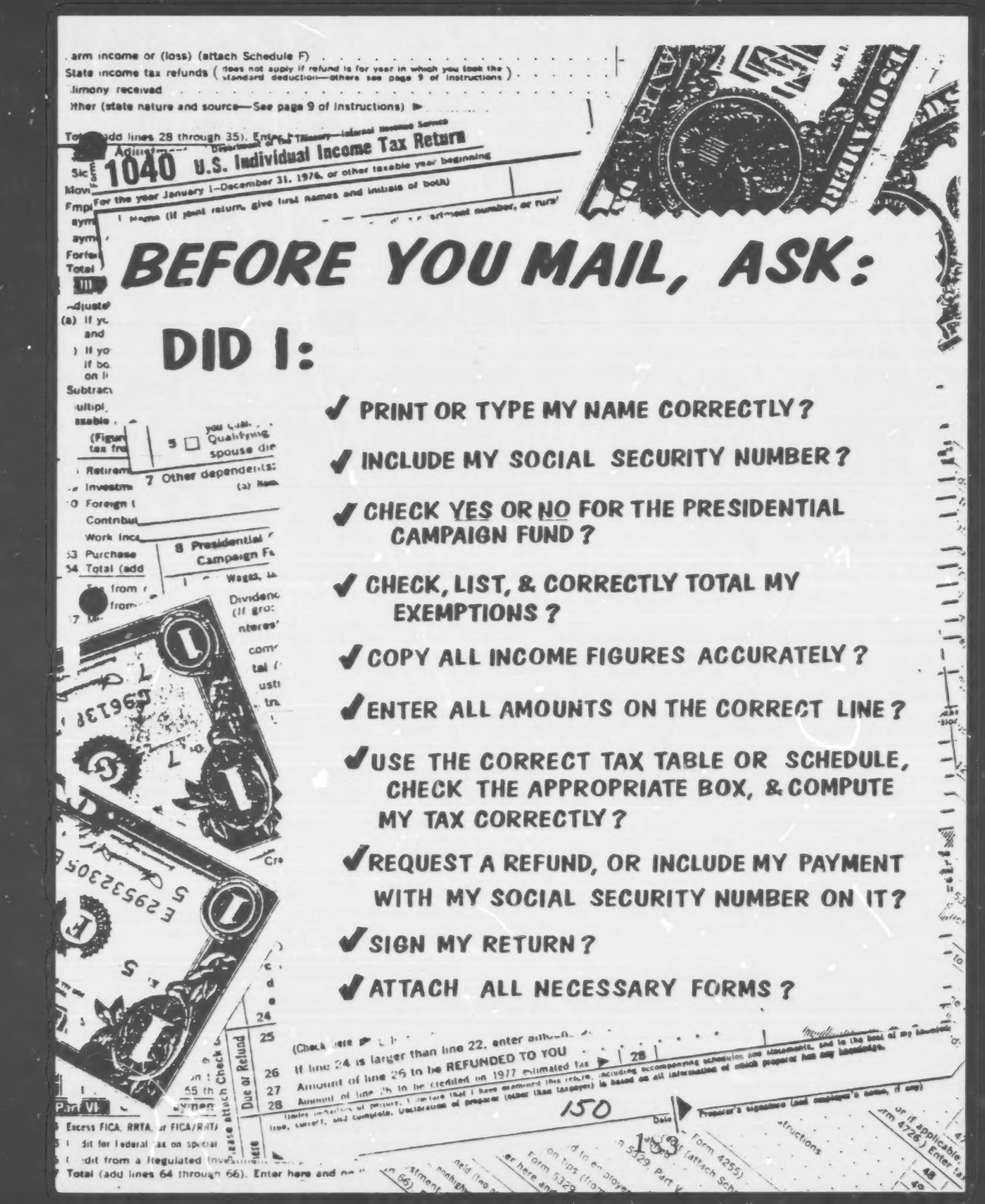
passwords ...

5. WATCH OUT FOR...

COMPUTE	*Figure; determine*
TAX SCHEDULE	*Guide for determining tax owed in which a certain amount is given with any excess tax figured by percentage*
TAX TABLE	*A table from which a total tax owed may be read without any additional computation*

Ready to Move On ?

Do You Know the Passwords ?


1040 U.S. Individual Income Tax Return
For the year January 1–December 31, 1976, or other taxable year beginning
BEFORE YOU MAIL, ASK:
DID I:
✓ PRINT OR TYPE MY NAME CORRECTLY?
✓ INCLUDE MY SOCIAL SECURITY NUMBER?
✓ CHECK YES OR NO FOR THE PRESIDENTIAL CAMPAIGN FUND?
✓ CHECK, LIST, & CORRECTLY TOTAL MY EXEMPTIONS?
✓ COPY ALL INCOME FIGURES ACCURATELY?
✓ ENTER ALL AMOUNTS ON THE CORRECT LINE?
✓ USE THE CORRECT TAX TABLE OR SCHEDULE, CHECK THE APPROPRIATE BOX, & COMPUTE MY TAX CORRECTLY?
✓ REQUEST A REFUND, OR INCLUDE MY PAYMENT WITH MY SOCIAL SECURITY NUMBER ON IT?
✓ SIGN MY RETURN?
✓ ATTACH ALL NECESSARY FORMS?

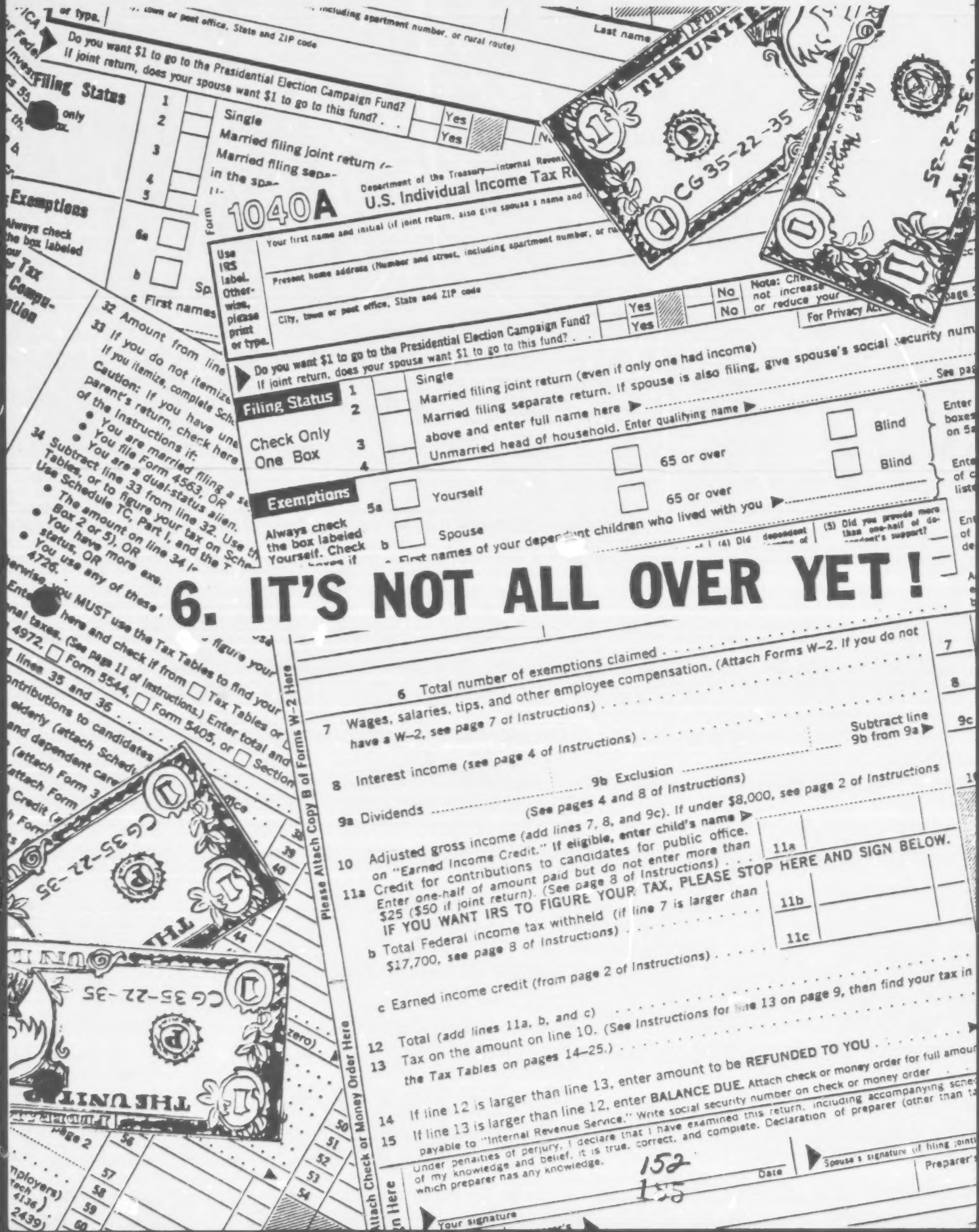
5. WATCH OUT FOR...

Complete the following statements by writing the correct word in each blank:

1. Be sure to include your taxpayer identification or _____ _____ number.
2. Attach all _____ on the face or front of your return.
3. If it is necessary to send a check to IRS, be sure the check has your _____ _____ number on it.
4. Use the correct tax _____ or _____ to compute your tax.
5. The last item to complete on the tax form is one of the items most commonly missing when IRS checks returns. Be sure to _____ and date your return.

Discuss: Should the IRS include a checklist for taxpayers to use before they mail their returns?

Would you suggest a change in the order of the items on the return?


Do you want $1 to go to the Presidential Election Campaign Fund?
If joint return, does your spouse want $1 to go to this fund?
Filing Status
Single
Married filing joint return (even if only one had income)
Married filing separate return. If spouse is also filing, give spouse's social security numb
Unmarried head of household. Enter qualifying name
Check Only One Box
Exemptions
Always check the box labeled Yourself. Check
Yourself
Spouse
65 or over
Blind
First names of your dependent children who lived with you
Form 1040A
U.S. Individual Income Tax R
Your first name and initial (if joint return, also give spouse's name and
Present home address (Number and street, including apartment number, or
City, town or post office, State and ZIP code
Use IRS label. Otherwise, please print or type.
Tax Computation
Amount from line
If you do not itemize
If you itemize, complete Sch
Caution: If you have une
parent's return, check here
of the Instructions if:
You are married filing a se
You are a dual-status alien.
You file Form 4563, OR
Subtract line 33 from line 32. Use th
Tables, or to figure your tax on Sche
Use Schedule TC, Part I, and the
The amount on line 34 (
Box 2 or 5), OR
You have more exe
status, OR
You use any of these
4726.
Otherwise, you MUST use the Tax Tables to find your
here and check if from Tax Tables or
nal taxes. (See page 11 of Instructions.) Enter total and
4972. Form 5544, Form 5405, or Section
lines 35 and 36
ntributions to candidates
elderly (attach Sched
and dependent care
(attach Form 3
ttach Form
Credit (
Form
zero)
Please Attach Copy B of Forms W-2 Here
Attach Check or Money Order Here
6. IT'S NOT ALL OVER YET !
6 Total number of exemptions claimed
7 Wages, salaries, tips, and other employee compensation. (Attach Forms W-2. If you do not have a W-2, see page 7 of Instructions)
8 Interest income (see page 4 of Instructions)
9a Dividends
9b Exclusion
Subtract line 9b from 9a
(See pages 4 and 8 of Instructions)
10 Adjusted gross income (add lines 7, 8, and 9c). If under $8,000, see page 2 of Instructions
11a Credit for contributions to candidates for public office. Enter one-half of amount paid but do not enter more than $25 ($50 if joint return). (See page 8 of Instructions)
IF YOU WANT IRS TO FIGURE YOUR TAX, PLEASE STOP HERE AND SIGN BELOW.
b Total Federal income tax withheld (if line 7 is larger than $17,700, see page 8 of Instructions)
c Earned income credit (from page 2 of Instructions)
12 Total (add lines 11a, b, and c)
13 Tax on the amount on line 10. (See Instructions for the Tax Tables on pages 14–25.)
14 If line 12 is larger than line 13, enter amount to be REFUNDED TO YOU
15 If line 13 is larger than line 12, enter BALANCE DUE. Attach check or money order for full amount payable to "Internal Revenue Service." Write social security number on check or money order
Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.
Your signature
Date
Spouse's signature (if filing joint return)
Preparer's
152
125

passwords ...

6. IT'S NOT ALL OVER YET!

APPEAL	*The right to transfer a case to a higher court for rehearing*
AUDIT	*The examination and verification of amounts stated on an income tax return*
CORRESPONDENCE AUDIT	*A letter from the IRS questioning a single tax issue, such as medical deductions, requesting that the taxpayer mail copies of supporting documents to the IRS*
FIELD AUDIT	*An audit in which an IRS officer visits the taxpayer's home or office to inspect records*
OFFICE AUDIT	*An audit in which the IRS notifies the taxpayer by letter of which items are in question and requesting the taxpayer to visit the IRS office for the audit*
RESEARCH AUDIT	*Returns chosen at random for a scientific sampling of returns. In such an audit, every item is carefully checked and must be verified.*
SERVICE CENTER	*IRS center for the processing of tax returns from a specific geographical area*
TRANSCRIPTION	*Writing or transfer of statements and figures from one form to another such as from the taxpayer's return to a magnetic tape for his record*
UNALLOWABLES	*Deductions which do not meet IRS requirements*

Ready to Move On ?

Do You Know the Passwords ?

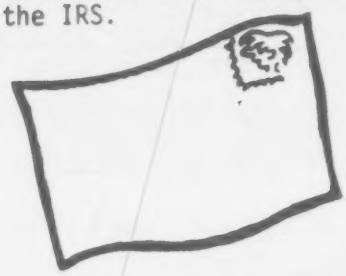
What Next ?

You filled out your return EXACTLY the way the form demanded.

You gave your zip code number, your social security number, all kinds of numbers; crossed out no words; added when you should have, and subtracted when you were allowed to.

You started out honest and humble.
You stayed that way right up to the minute you signed the return and mailed it.

About the worst thing that can happen to you now is to get a letter from the IRS.



The IRS letter might say no remittance accompanied your return. After 2 or 3 or 20 letters you will be able to convince the computer that you have the cancelled check to prove you paid on time.

Or. . . a letter might even ask you to prove the amount of your medical expenses--as if you couldn't!

Neither of these letters is real cause for alarm, but . . .

YOU MAY RECEIVE A LETTER INFORMING YOU OF AN IRS AUDIT ! !

If you have filed your federal income tax return and have truthfully reported all your income and taken only the deductions intended, then you do not need to fear the awful power of the U.S. Treasury Department's tax collection bureau, the Internal Revenue Service.

Once you have filed an honest return and paid the tax that you really owe, you have the strength of a grizzly bear!! Right is on your side and you have nothing to fear--the IRS only wants each taxpayer to pay his fair share.

Ever wonder what happens to your income tax return once you finally have it safely in the hands of the U.S. Postal Service?

Let's follow it through the 10 basic steps:

1. DELIVERY to an IRS Service Center

Your return was mailed to an Internal Revenue Service Center serving the geographical area in which you live.
There are 10 such centers:

Philadelphia, Pennsylvania
Cincinnati, Ohio
Kansas City, Missouri
Andover, Massachusetts
Holtsville, New York
Chamblee, Georgia
Memphis, Tennessee
Austin, Texas
Fresno, California
Ogden, Utah

2. SORTING PROCESS

Envelopes are slit and sent to work tables
Returns are sorted according to characteristics such as state of origin, those with checks, and those without checks
Returns are placed in sorted batches of 100

3. "EYEBALL" CHECK

Searches are made on each return for any one of more than 60 "unallowables"--deductions, filing status, etc.

4. TRANSCRIPTION

All information on tax returns is punched on magnetic tapes for electronic handling
The computer "reads" the tapes, checking the computation of each return, including the way the taxpayer applies the rules and figures his taxes

5. DELIVERY

All tapes are delivered to the National Computer Center in Martinsburg, West Virginia

6. TAXPAYER'S MASTER FILE

The data on each tax return are posed in the taxpayer's master file
Social security numbers and other standard information is matched against information already in the file

7. REFUND INFORMATION

Information is produced by the computer for preparing refund checks by machine to be sent out by the U.S. Treasury's disbursing offices

8. AUDIT POTENTIAL

Each return is scored for its audit potential--its prospects for added tax revenues from a formal audit

Each tax return's data "profile" is matched against a standard data profile, assigned weighted scores, and given a grade

9. RETURN of tapes to Service Centers

10. AUDIT PROCEDURES

IRS district offices will use the tapes of the high-scoring returns as a basis for assigning returns for audit during the summer

For approximately 2.1 million taxpayers--about 1 in 41--that will be the time to worry.

Audit!! -- the word strikes fear in the hearts of millions of American taxpayers.

The taxpayer's responsibility in the event of an audit is simply to be able to provide proof of the amounts claimed on his return. If he has been honest in stating these amounts, and has kept good records, he will have little or no difficulty.

The only two audits the average consumer will need to be concerned with are the UNALLOWABLES and RESEARCH AUDITS. The IRS does conduct Correspondence, Office, and Field Audits as well, however.

unallowables The simplest of all audits, the UNALLOWABLES program, is conducted at the service center which first receives the return. The most common error is in overstating a deduction. In such a case, IRS sends a letter proposing a "correction" in the tax. IRS rarely makes a mistake in correcting such entries. The taxpayer should check the arithmetic and the rules carefully before complying and paying the extra tax, however.

research Audits of returns chosen at random are RESEARCH audits. Returns are chosen at random from a scientific sample based on the ending digits of taxpayers' Social Security numbers. Such audits are for the purpose of a research program on how well taxpayers are complying with the law, and to update the computer programs that select most returns for audit. In a research audit, the IRS requires taxpayers to substantiate every item of information on their returns, right down to the last miscellaneous itemized deduction. These audits are also called Compliance audits.

In addition, the taxpayer may receive a letter from the IRS questioning a single tax issue, such as medical deductions. The letter will indicate what item on the return is being questioned and will ask the taxpayer to mail copies of supporting documents to the IRS.
The IRS waits for some kind of substantiation before proposing any changes in the tax bill. Such an audit is a CORRESPONDENCE AUDIT.

YOUR RETURN CAN BE AUDITED IF YOU:

OVERSTATE YOUR DEDUCTIONS
MAKE AN ERROR IN ARITHMETIC
HAVE UNUSUALLY LARGE DEDUCTIONS
HAPPEN TO BE CHOSEN AS PART OF A RESEARCH AUDIT

KEEP THOSE RECORDS

The statute of limitations for auditing individual income tax returns runs for 3 years. IRS tries to audit returns within 26 months of their filing deadline.

The statute of limitations can be extended to 6 years if taxpayers fail to report more than 25% of their income.

The statute can run indefinitely in cases of fraud.

If you own a house, invest in the stock market, or collect paintings, stamps, coins, or the like, you should keep records of those holdings for as long as you own the property and for a minimum of three years after the sale of the property.

THE TAX ISSUE IS NEVER A CLOSED ISSUE. TAX REFORM AND EVEN TAX REVOLT ARE VITAL ISSUES. AS IN ALL AREAS OF HIS LIFE, TODAY'S CONSUMER-CITIZEN HAS BOTH RIGHTS AND RESPONSIBILITIES.

BE INFORMED, EXPRESS YOUR OPINIONS, RESEARCH THE ISSUES, AND PERFORM YOUR RESPONSIBILITY AS A CITIZEN--TO PAY YOUR TAXES, TAKING CARE TO PAY YOUR FAIR SHARE--NO MORE, NO LESS.

6. IT'S NOT ALL OVER YET!

Complete the following statements by writing the correct word in each blank:

1. A taxpayer's identification number is his _____ _____ number.
2. The Internal Revenue Service Center to which you would send your return is located in _____, _____.
3. Tapes for all taxpayer information is stored at the National Computer Center located in _____, _____.
4. It is wise to keep all records for at least _____ years.
5. Three reasons a taxpayer's return might be audited are:

_____ _____

_____

_____

How long does it take for a tax return to be processed?
Does it take longer to receive a refund on a 1040 return or a 1040A?
Are returns prepared by commercial preparers processed more quickly and/or refunds made more quickly than those prepared by the taxpayer himself?
What is the difference for returns filed in January or February and those filed just before the April 15 deadline?
Is there a difference according to where the taxpayer lives?
Taxpayers have many such questions.
Make an informal survey and share the results.

SELF - EVALUATION

1. As you reflect upon your experiences using this PAL, what were the most important things you learned?

2. What are the most important things you learned about:

   A. The reasons we have taxes?

   B. Sales tax, property tax, income tax, and social security?

   C. The forms necessary for filing income tax returns?

   D. Completing a Form 1040A?

   E. How to check an income tax return?

   F. The processing of an income tax return?

3. What are the important consumer topics about which you would like to learn more?

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PROJECT $CAT

You have just completed studying one module of the SCAT curriculum. There may be other topics about which you wish to learn more. SCAT modules can help you acquire skills, concepts, and knowledge necessary to function as an informed and wise consumer in twelve areas.

HEALTH AND THE CONSUMER contains 6 units:

BALANCED DIET:	Eater's Digest
FOOD ADDITIVES:	Eat, Drink and Be Healthy
FOOD SHOPPING:	Food for Your Brood
MEDICAL CARE:	Say Ahh!
PERSONAL GROOMING:	Let's Face It!
PRODUCT SAFETY:	An Ounce of Prevention

MONEY MANAGEMENT AND THE CONSUMER contains 6 units:

BASIC ECONOMIC SKILLS:	Baffled, Bothered, Bewildered
BUDGETING:	Easy Come, Easy Go!
BANKING:	You Can Bank on It!
CREDIT:	Ch..a..r..rge!!!
INSURANCE:	It's Later Than You Think
TAXES:	An Offer You Can't Avoid

"$KILLS FOR CONSUMERS APPLIED TODAY"

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